November '93 propositions

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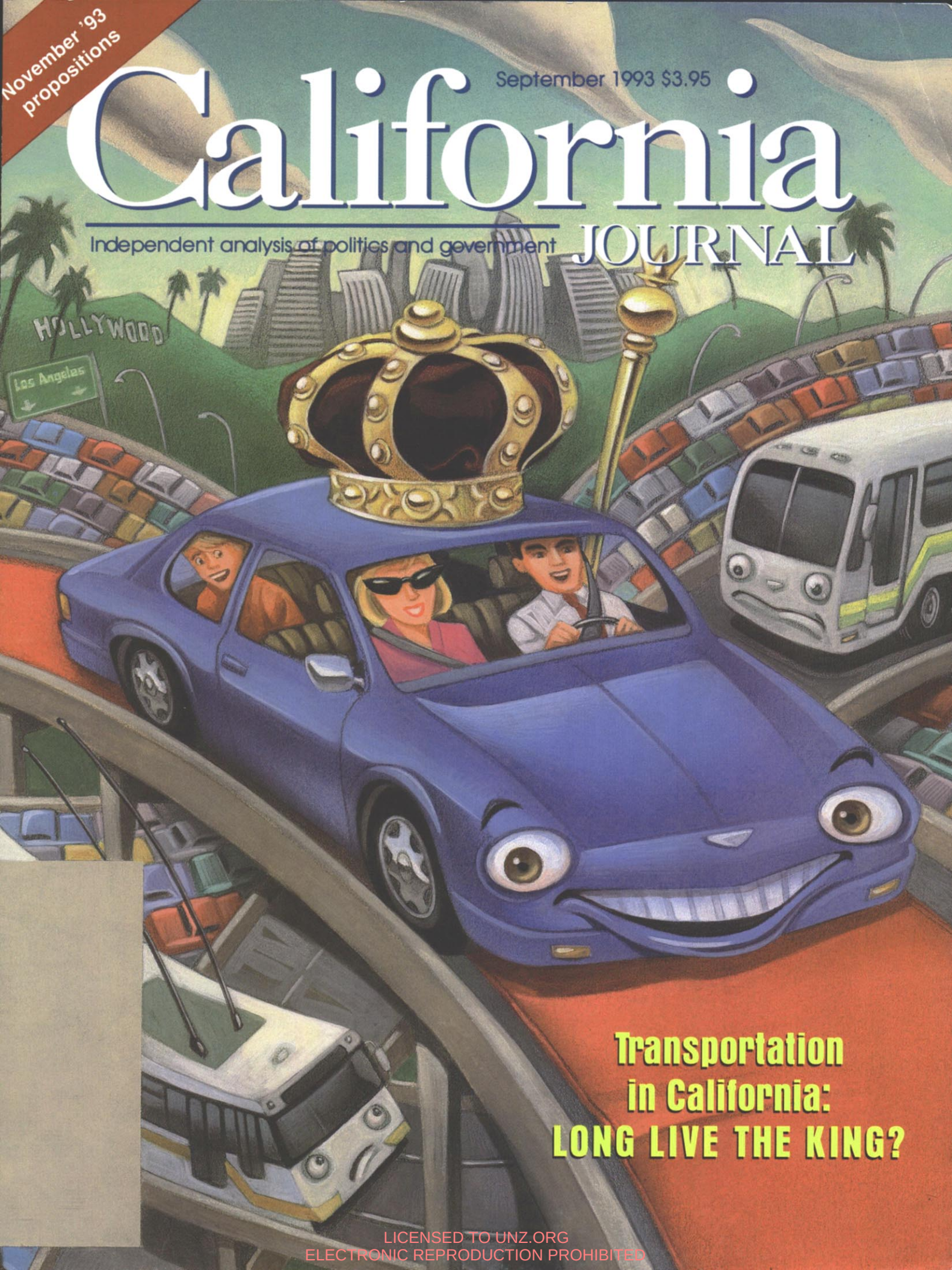
Independent analysis of politics and government



Transportation in California: LONG LIVE THE KING?

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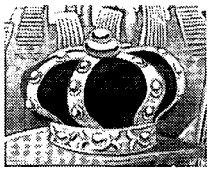

California JOURNAL

Independent analysis of politics and government

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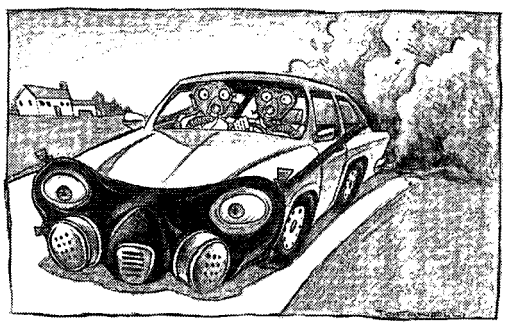

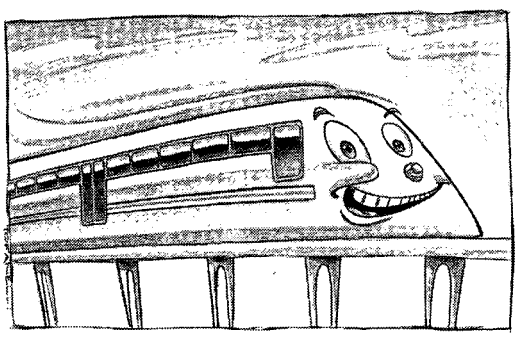

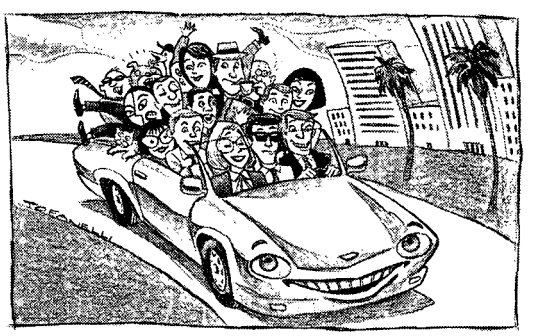

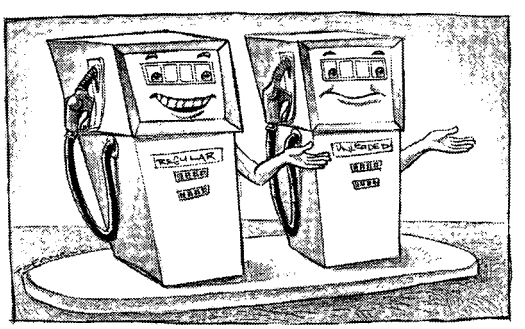

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Up Front

Life of the party. Assembly Speaker Willie Brown Jr. last month added a new wrinkle to the game, "where will he land?" Asked about his future once term limits end his career in 1996, Brown said he was interested in becoming chairman of the state Democratic Party. A backwater, you say? Speaker doesn't think so. In fact, he thinks that because term limits will cripple the power of any future speaker, the speaker's power must flow somewhere. And Brown believes that, under the right circumstances, it might just flow to the head of the party. Who else, he wonders, would be in a position to raise gobs of money and, more important, have an organization in place to run a bevy of legislative and statewide campaigns — the sorts of chores now handled by the speaker and his political minions. Brown envisions transferring his Assembly machine to a revamped party hierarchy. There would have to be some changes in the party's by-laws, of course. Like, get rid of the need to elect a chairman every four years. And, get rid of the notion that the chairman doesn't collect a party paycheck. And really get rid of the requirement that the position be rotated between north and south every four years. In other words, let a salaried Willie Brown be chairman "in perpetuity." Like the "Brown for governor" boomlet, "Brown as chairman" isn't cast in stone. But it is intriguing.

Fall out and out and ... And three *more* senators have dropped from the scene. Democrat Waddie Deddeh of San Diego and Republican Rebecca Morgan of Los Altos Hills left last month — Deddeh to return to teaching; Morgan to head up a group trying to reinvigorate Silicon Valley. In addition, Republican Marian Bergeson of Newport Beach announced in July that she will seek a soon-to-be-vacant seat on the Orange County Board of Supervisors and may leave before the year is over. In case nobody noticed, Deddeh's resignation means that Democrats have only 21 votes in the upper house. There are 14 Republicans, two independents and three vacancies. And two of those vacancies (4th and 11th districts) likely will be filled by Republicans. Only Deddeh's seat will probably be retained by a Democrat.

Boys of Simmer. He was "The Kid," "The Thumper," "The Splendid Splinter," and his talent for hitting a baseball took him from the sandlots and ballyards of San Diego to the Baseball Hall of Fame in Cooperstown. Now, some folks in San Diego want to name a stretch of freeway for Ted Williams and, to that end, Democratic Assemblyman Mike Gotch of San Diego authored a resolution. But when ACR 21 hit the floor, 11 Republican lawmakers voted "no," even though most of the dedicated freeway runs through the district of one of their own — Jan Goldsmith of Poway. Is the GOP suddenly anti-baseball? Nah. According to a source familiar with the GOP caucus, the GOP withheld votes because Assembly Dems were withholding *their* votes on district bills authored by GOP freshmen to punish those rookies for opposing the budget. The theory seems to be substantiated by a cryptic remark by Republican Ross Johnson just before the ACR 21 vote. Johnson characterized it as "the classic district bill." Ah, yes, the game within the game.

We have met the enemy. A recent letter from Bruce Herschensohn on behalf of indicted Assemblyman Pat Nolan railed against what Hersch indicated was a liberal plot to discredit and jail hard-working conservatives. "We have all suffered as the federal government has indicted a litany of conservative leaders," he began, listing among others Maurice Stans, Oliver North, Lyn Nofziger and Caspar Weinberger. Uh, Bruce? North, Nofziger and Weinberger — and Nolan — were indicted by prosecutors appointed by *conservative Republicans.* Stans was indicted for helping launder money during the Watergate scandal — an investigation also started under a Republican attorney general. And you conveniently forgot to mention a troika of convicted Democrats: Joe Montoya, Paul Carpenter and Alan Robbins.

Power outage. Back in 1992, there was speculation that John and Patti Garamendi were about to become California's power couple in Washington, DC. After all, John was chairman of Bill Clinton's California campaign and Patti was running for Congress. With California providing Clinton a leg up to the White House, John seemed assured of a meaty post in the administration — something that could help Patti develop a special brand of clout in the House. The symbolic expression of their dreams came last summer when the Garamendis hosted Clinton to a mid-campaign barbeque at their ranch near Walnut Grove — an event memorialized on the family's Christmas card. Well, the dreams withered when the GOP abandoned California and John became irrelevant to a Clinton campaign waging war elsewhere. Not only that, Patti lost her congressional bid to underdog Richard Pombo. Now, the power couple's dream has reached its final reality: Patti has been appointed associate director for volunteer recruitment at the Peace Corps.

Battle of Biddin'. The Battle of Britain produced one of history's most memorable remarks — Churchill's, regarding "the few." We offer a paraphrase after reading a summary of money gushed out by the tobacco in-

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Rostrum
LETTERS

dustry to influence politics in California: "Never has so much been paid by so few to influence so many" — $50 million in election years since 1976. Subtract the money spent to pass or defeat various propositions, and tobacco has forked out just shy of $20 million for lobbying and for political contributions alone — $16 million since 1988.

Challenge to 140? So, you thought that all the court challenges to term limits were over, did you? Well, one prominent Democrat last week suggested that the mother of all term-limit challenges may come down after the 1996 elections when the Assembly is asked to seat a member who is ineligible under the terms of Proposition 140. How will this take place? Because an incumbent from a safe urban district — say, Assemblywoman Marguerite Archie-Hudson of Los Angeles — does not file for re-election but is voted in anyway as a write-in candidate. The folks in her district clearly had expressed their will to return her to Sacramento. Are they denied their constitutional rights if she is refused her seat? You heard it here first.

"Controls on will and appetite in the United States have been insufficient to maintain the minimum levels of order, amenity and decency essential to maintaining a free society"

– James Q. Wilson, 1988

Come across a blurb lately that's nosy, newsy or smartalecky about California government, politics or politicians? Share it with the Journal. *We pay up to $25 for entertaining tidbits published in "Up Front." So, rush your items to Up Front, 1714 Capitol Avenue, Sacramento, CA 95814. Sorry, submissions cannot be returned.*

Proposition 140

Your assessment of Proposition 140 (see "Two-cents worth," *CJ*, August 1993) is honestly advertised if also exceedingly premature. Term-limit advocates never promised that a revolution in legislative politics would (or could) take place in Sacramento just two years after adoption. Any claim to the contrary is imaginary. A term-limited Legislature will eventually be "different than its predecessors" regarding its composition, character and policy-making process. But these changes cannot even begin to take place until all the "senior" career politicians in the Legislature are gone, and this won't happen until after 1996.

Even so, Proposition 140 already has started to change the composition of the Assembly (see "Class of '92," *CJ*, April 1993). The 27 new members of the Assembly differ from their predecessors in terms of socio-demographics and occupational background. Whether these differences will manifest themselves in political or policy change is difficult to predict, especially since these new legislators are still operating under institutional rules established by political careerists. After 1996 the rules and procedures of the Assembly will be changed to reflect the new incentive structures created by term limits.

What are the consequences of term limits for political governability? Some scholars, such as David Brady and Douglas Rivers of Stanford, argue that term limits will force legislators to think more broadly about the consequences of their actions and will promote greater partisan responsibility by increasing the number of open seats. Others, like Sherry Bebitch Jeffe of Claremont, disagree. Instead, term limits will enhance the role of special interests and further Balkanize the legislative process. In truth we have no evidence from California or any of the other 14 states now operating with term limits to validate either set of hypotheses. More to the point, we won't have good evidence for even a tentative assessment until the very end of this decade.

This doesn't mean that interim speculation isn't valuable — it is. Term limit critics are eager to say, "We told you so." However, they shouldn't be too quick to misinterpret the slow transformation of legislative institutions as evidence that term limits have failed to deliver. It took decades of hard work by political scientists and politicians to create a professional legislature in California (and elsewhere). In all fairness, term limits should be given at least a third as much time to correct the damage wrought by the professionalization of political representation.

MARK P. PETRACCA
University of California, Irvine

Budget

One very salient point is missed in all the budget talk and reporting. Assuming a $5000 state or local tax payment, would you rather pay it in sales tax, income tax or property tax? The answer: payment of sales tax, which since 1986 is not deductible from federal taxable income, rather than property or income tax, makes no personal or governmental economic sense. With the new Clinton income tax rates extending up to 39 percent, please let me pay more state income tax or more local property taxes rather than losing the sales tax deduction and thus sending more of my income to Washington. Consider also the state economy. One cent of sales tax raises $3 billion statewide. None of that $3 billion is deductible, and assuming an average federal income tax rate of 25 percent, we thus send $750 million more per year to Washington. If that $3 billion were paid in deductible taxes, those dollars (whatever the percentage amount) would stay here in California. Recall that Governor Ronald Reagan's "tax reform" added the 8 percent in 1967 and then 9 percent, 10 percent and 11 percent brackets in 1971 to the state income tax. And, in his 1971 "welfare reform," we put AFDC kids on a cost-of-living basis for the first time. Ronald Reagan and the income tax can't be all bad.

WILLIAM T. BAGLEY
San Francisco

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Two Cents Worth

COMMENTARY

In a snit last month, Governor Pete Wilson volunteered to make his hind quarters available for osculation to those who would criticize his new-found concern about illegal immigration. The line of critics at Wilson's posterior — on this issue and others — is already a long one, and it's going to grow as election season moves along. The governor, who has always suffered from a sensitive bottom, had best stock up on Chapstick while the price is low.

Furthermore, the governor's immigration comments justify his behind receiving something far stronger than a kiss. Times are tough in California, and it may be that we can no longer afford to be as generous in making the riches of our nation available to foreigners who want a share — even though there is substantial evidence that our newest residents, in the long run, give back far more than they take.

We are a nation of immigrants, and we have always believed that other countries sent their best — those most willing to take risks and most anxious to improve their lot — to our shores. There is no reason to believe that the current crop of immigrants is any different.

Certainly some immigrants need assistance when they get here, and granting that assistance adds to the financial burden of the state's taxpayers. But almost every segment of our society depends on government assistance for success from the business community that wants new tax breaks for equipment they purchase to homeowners who could not make mortgage payments were those not deductible.

Immigrants, legal or illegal, are not at the root of the state's economic woes. And it is illogical and mean-spirited of Wilson to try and put them there. But it does make some political sense. The immigrant-bashing no doubt has some appeal to the right-wing of Wilson's Republican Party, which has been making noise about backing one of its own in a primary challenge to the governor. And it also clearly is in step with much of the California electorate, which is angry with the way things have been going and is looking for someone to blame.

Things have not been going well in California. Unemployment is close to 10 percent. And the collapse of the defense industry has left unemployed a group of people who once thought such hardships were inflicted only on less-affluent portions of society. California, at least since World War II, has never really had bad economic times. We're not used to it, and we don't like it. Since the problem can't be in ourselves, we need someone to blame.

Until now, that someone, according to the public-opinion polls, has been Wilson. So the governor probably figures that if he's going to win a second term, he'd better shift the blame elsewhere. For Wilson, elsewhere most often turns out to be those in society least able to defend themselves. It's not a very flattering side of his personality.

In mitigation, it should be noted that a number of prominent Democrats also have jumped on the issue — notably Senators Dianne Feinstein and Barbara Boxer, and putative governor Kathleen Brown — although none has gone as far as Wilson with his suggestion that the Constitution be changed to deny citizenship to the children of illegal immigrants who are born in this country.

These Democrats, too, are pandering to public fears, but they also are attempting to inoculate themselves against the charges they believe will come from Wilson and other Republicans on this issue.

Wilson's offer to drop his pants came in response to a Democratic television commercial accusing the governor of flip-flopping on the immigration issue. The television buy was a very small one, but the governor's reaction was very large. Wilson made sure the Democrats got their money's worth, and then some. If Wilson can get this angry this early in the campaign, we hate to think of what facet of the Wilson personality might be on display before election day.

— *Richard Zeiger*

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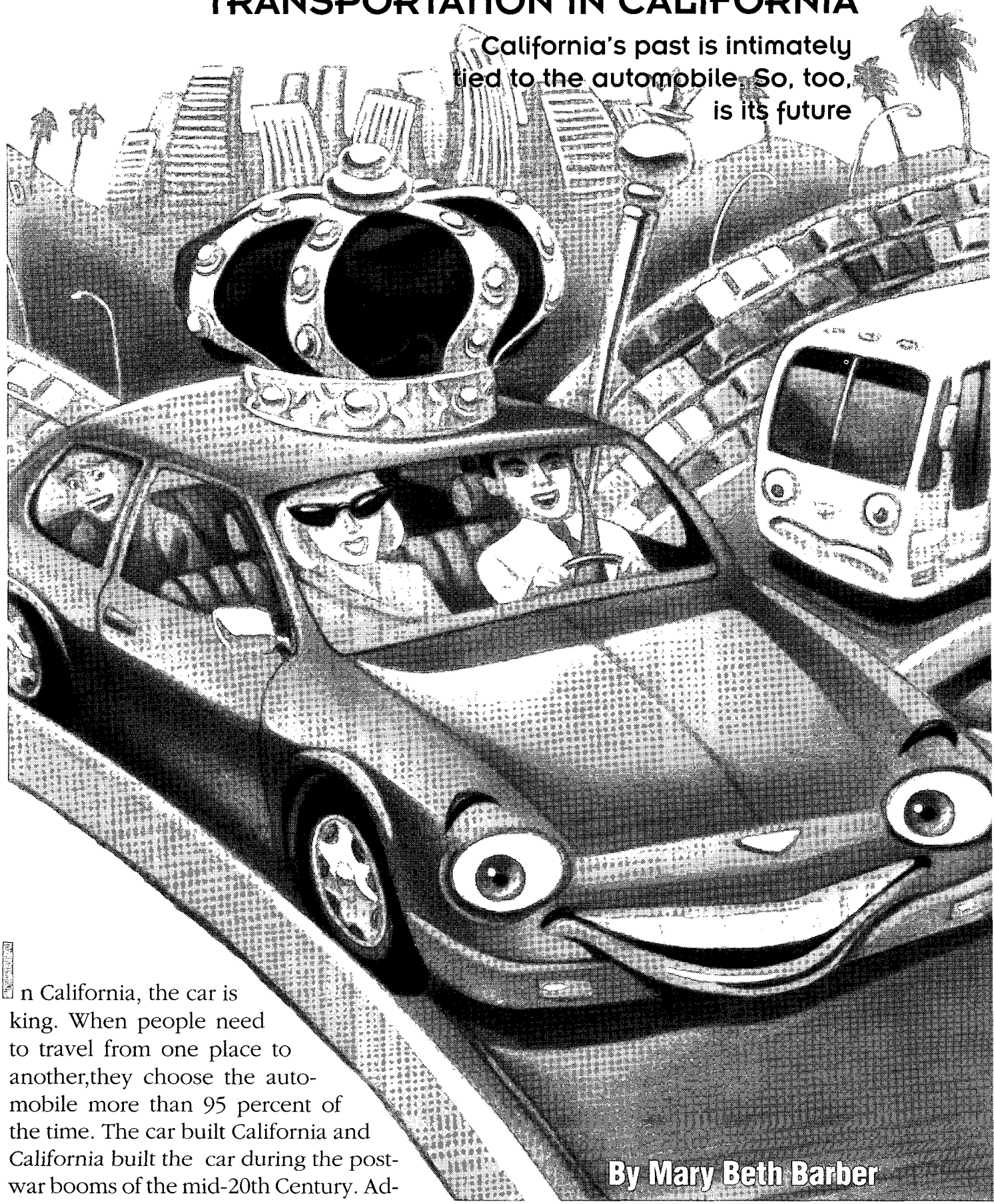
TRANSPORTATION IN CALIFORNIA

California's past is intimately tied to the automobile. So, too, is its future



By Mary Beth Barber

In California, the car is king. When people need to travel from one place to another,they choose the automobile more than 95 percent of the time. The car built California and California built the car during the post-war booms of the mid-20th Century. Ad-

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vertisements in the 1950s showed happy, carefree people in their brand-new cars cruising down California's palm-lined streets.

But while the automobile seemed like the greatest invention since the wheel, it proved in the long run to be cumbersome and unhealthy for California. Freeways became increasingly congested and the air became polluted by hydrocarbons from gasoline, not to mention the increase in cost of building and maintaining new highways. Government — state, local and federal — has played a catch-up game trying to get the automobile under control.

California wasn't always so dependent on the automobile. Before entrepreneurs like Henry Ford brought their fleets to the state, cities like San Francisco and Los Angeles had streetcars and trolley lines, and the state had an intricate rail system that connected its cities, as well as linked California to the rest of the nation. Before that, folks rode on or behind animals or walked. In fact, said David Grayson, a director at the Automobile Club of Southern California, animal traffic paved the way for streets and streetcars. And "the streetcar defined the way cities were developed," said Bob Blymyer of the Sacramento Regional Transit District.

But automobiles gradually elbowed streetcars out of the way, for they had one advantage that public transit could not match: independence — the ability to go where you wanted, when you wanted. This independence — coupled with cheap gasoline — made automobiles enormously popular. That popularity increased a thousand-fold when California's first freeway — the Pasadena Freeway — came along during the 1940s. "The success of the freeway was part of the undoing of mass transit," said Blymyer.

Thus, California's modern system of transportation — which is heavily auto-dependent — took shape during the years following World War II. And despite Californians' disenchantment with crowded freeways and long commutes, that system is likely to remain unchanged as the state inches into the 21st Century.

California cities, unlike their counterparts in the East, grew out rather than up because land was plentiful and autos removed transportation costs and travel time as a factor in development. The result was low-density cities laid out along old streetcar lines but connected by roadways. While trolleys may have laid the foundation for city freeways, they quickly disappeared when America became obsessed with the automobile, said Grayson.

The most notable example of this mechanical extinction involved Los Angeles' fabled Red Car. In its heyday, the Red Car connected downtown Los Angeles with the city's neighborhoods and with such far-flung communities as Redlands and Long Beach. But after World War II, the Red Car tracks were torn out to provide the roadbeds for freeways.

The popular notion is that a consortium of auto-related businesses, including General Motors and Firestone Tire, conspired to kill the Red Car by buying it and tearing up its track to promote their own products — namely buses and autos. But most transportation experts today agree that the Red Car was killed off by ordinary Angelenos — and their obsession with the automobile.

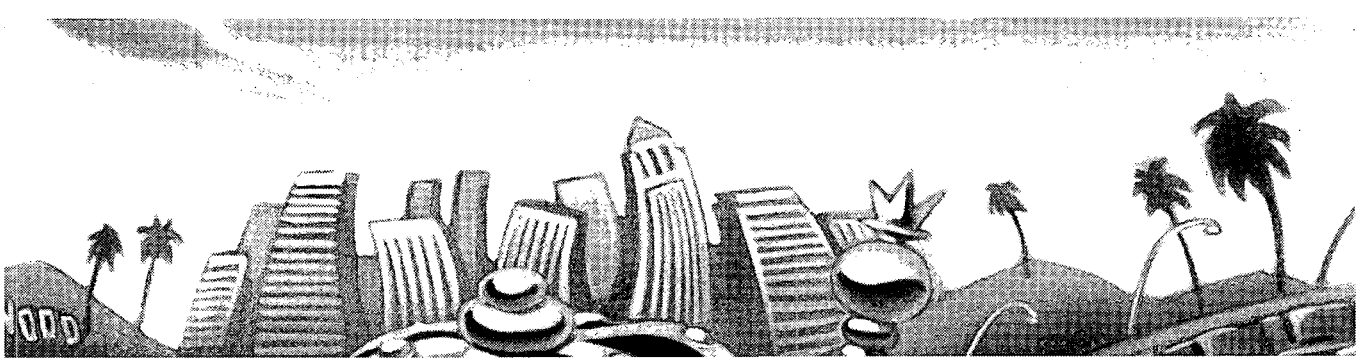
That General Motors conspired to do in the Red Car is "urban mythology," according to James Moore, associate professor at the School of Urban and Regional Planning at the University of Southern California. Moore pointed out that privately owned trolleys and received no government subsidies and thus had to turn a profit. But, he added, "they were regulated, so they couldn't raise their prices," and couldn't raise enough capital to repair roadbeds or streetcars. In addition, trolleys increased congestion on the streets, making them slower, less desirable to ride and more annoying.

It wasn't all mythology, of course. National City Lines, a consortium that included GM and Firestone, lost an anti trust suit in 1946 after it bought and destroyed the Red Car — a tactic National repeated in other cities. According to Blymyer, however, by then "the damage had already been done."

As urban freeways made auto travel more desirable within cities, travel between cities also became easier in the early '50s when the Eisenhower administration established the Interstate Highway System. Californians found that they could move people and goods more conveniently by road than by public transportation systems. In addition, federal money and gas-tax funds gave unprecedented clout to the state Department of Highways. It flourished under former Governor Pat Brown, who took office in 1958, and his successor — Ronald Reagan (1966-1974).

"[The State Department of Highways] was the premiere transportation organization," said a legislative staffer. "People from other states and countries came to see our system." The department became a source of pride and home to a plethora of engineers dedicated to building massive projects all through the 1950s, '60s and early '70s.

But during the mid-1970s, the state's love affair with all things automobile began to sour, and California sought ways to ease its addiction to cars. The reasons involved the environment, the economy and the quality of life. The Los Angeles basin, for instance, has



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always been a trap for smog. Even before it was settled by Mexicans and Anglos, Native Americans called it the "Land of a Thousand Smokes." But the auto exacerbated the problem for Angelenos, who began to realize in the 1960s that they no longer could see the "Hollywood" sign very clearly. An oil embargo, imposed by Arab oil producers during the 1975 Arab-Israeli war, gave rise to a powerful oil-exporting cartel known as OPEC that dramatically raised the price of oil and effectively ended the era of cheap gasoline. Southland freeways were beginning to become rush-hour parking lots, as were some arteries in the San Francisco Bay Area.

Deteriorating air quality and the rising price of gasoline both hit California just as a change in administrations brought *Jerry* Brown to the governorship. The old Department of Highways had been renamed the Department of Transportation (Caltrans, for short), which proved symbolic of the department's change in emphasis from road building to mass transit — prompted by changing economic and environmental conditions. Brown's director of Caltrans, Adriana Gianturco, wasn't an engineer but a land-use planner from the East who quickly exiled all those high-powered, road-building engineers to Caltrans hinterlands.

"That's when we had our first interest in rail and transit," said Jim Drago, a spokesman for Caltrans. Adding to the road builders' woes was passage of the California Environmental Quality Act (CEQA) in 1970, which required that each project be weighed against its impacts on the enviroment. This made highway projects harder and more expensive to build. "We shifted to almost an anti-highway [attitude]," said Drago, and new construction almost ceased.

The shift lasted only until Republican George Deukmejian replaced Brown in 1982. He reinstated highway engineers to prominence in Caltrans, although they, too, had to deal with CEQA, which continued to provide a drag on new construction.

The dramatic shifts from highway building under Pat Brown and Reagan, to anti-new construction environmentalists under Jerry Brown, to more highway building under Deukmejian and Pete Wilson "has taught us that shifts don't really work. We need to strike a balance in the system between different types of transportation," said current Caltrans Director James van Loben Sels. After so many years, he said, "We are still learning how to be the Department of Transportation" rather than just highways.

Not that California has much choice as it prepares for the year 2000. Although most experts think the state will continue its overwhelming dependence on the automobile far into the next century, the future of transportation may hinge on how well California is able to merge the imperative of the car with the imperative of cleaning up the air. It is a struggle that has been going on for more than two decades.

Congress passed the first Clean Air Act in 1970, two years after California created its own Air Resources Board. While other states had to comply with clean-air rules set by the federal Environmental Protection Agency, California's ARB was allowed to write its own regulations, as long as they passed EPA standards. Thus, ARB became the lead agency for such air-quality programs as catalytic converters, no-lead gasoline and fuel-efficient automobiles that also release fewer emissions. The result was gradually improving air quality — although not fast enough to keep up with federal demands.

Despite technological advances, "the fleet as a whole is still responsible for up to 50 percent of the smog problem in most urban areas, and ARB's motor-vehicle program is responsible for 60 to 70 percent of planned future clean-up of emissions," said Bill Sessa, a spokesman for the ARB. The effort to correct them is intimately co-mingled with the future of transportation in California. For instance, cars that emit less gunk into the air can't fully compensate for the increased number of cars and the increased number of miles driven by a growing population. As a result, those charged with cleaning up California's air — like the ARB and the separate air districts it oversees — must look to alternatives like low-emission vehicles, car-pool programs, and the junking of older cars. The changes already are becoming part of the state's transportation mix. For example, newer fuels like reformulated gasoline, methanol, compressed natural gas and electricity are a direct result of air regulations.

One alternative is to make ride-share or car-pooling more attractive. The state's attempt to encourage ride-sharing programs through regulations on large companies has been met with resistance. It's very difficult to regulate workers' habits, especially if they have few choices in transportation modes. But some employers are willing to look at alternatives to driving for employees, especially long drives in congested traffic that can wear on some people.

Van Loben Sels believes that the wave of the future may involve a change in work habits that gets people off the roads altogether, at least two or three days of the week. "We are investigating experiments with tele-commuting or tele-conferencing rather than commuting" to an office, he said. Caltrans and other agencies need to be realistic, of course; there are human and corporate

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dynamics to deal with, he said.

The penalty for *not* cleaning up the air could be severe. Not only does bad air adversely affect the health of all Californians, the state could lose federal transportation money if the air in various locales isn't clean enough to satisfy both ARB and EPA. EPA has already threatened to take over the state's smog-check program if it doesn't comply with federal standards (see story, page 13). The loss of federal funding means less money for road building and repair or for rail.

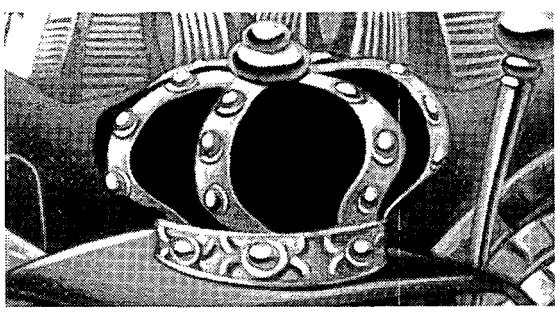
Rail — both urban light rail and inter-urban trains — remains an option for easing the transportation crunch. But mass transportation projects are difficult to build — not to mention expensive — because cities like Los Angeles are spread out and have more than one work center. People in Southern California may work in downtown Los Angeles. But they may also work in Long Beach or Ontario or Orange County — areas that a decade ago were strictly bedroom communities, said Ronald B. Lamb, director of governmental relations for the Los Angles area Chamber of Commerce. "Unfortunately, Los Angeles is pretty spread out."

Mass transit is a way to keep people off the roads, and to that effect, Los Angeles' Metropolitan Transit Authority has started an ambitious rail program, including a new subway and Metrolink rail service to places like San Bernardino County. But even the MTA, despite the billions being spent for rail, doesn't think it will relieve congestion, only prevent it from worsening in the future. "We needed to start a rail program because we just didn't have any rail," said an MTA spokeswoman. "We're just trying to keep up."

Public transportation advocates cringe now when they look back to the 1950s, when an investment of $20 million to $30 million in rail transit throughout the state could have laid the framework for a progressive mass-transit system. The notion was overlooked, however, and now California is investing billions of dollars to buy back old rights-of-way and lay new track. "For smaller and medium-sized cities, replacing the streetcars was practical" when the automobile came along. "Where didn't it make sense? In bigger cities like San Francisco and Oakland, and Los Angeles," said Sacramento's Blymyer.

The push for rail projects that spurred California's current program started in the late '80s. Data collected from state and local governments in 1989 indicated that if an ideal transportation system were to be built, $60 billion would be needed over the next 10 years. But a full-blown rail plan needed public support. As a result, three measures were taken to the ballot in 1990 — Propositions 108, 111, and 116 — and approved by a slim margin. They included two bond measures and a permanent gasoline-tax increase, with the revenue dedicated to public transportation. Two bond measures were slated for the future, and approximately $18-billion was figured for new projects, especially rail.

Although most experts think the state will continue its overwhelming dependence on the automobile far into the next century, the future of transportation may hinge on how well California is able to merge the imperative of the car with the imperative of cleaning up the air



The federal government started helping out as well. Congress approved the Interstate Transportation Efficiency Act that allowed states to spend federal transportation money as they wished, rather than along lines mandated from Washington. This gave the state a wealth of additional money for capital outlays, and thus began the rush for mass transit: commuter rail, light rail and underground subways in Los Angeles; commuter rail service and additional city mass transit in the San Francisco Bay area; light rail in San Jose, Sacramento and San Diego.

But the money to pay for all these projects wasn't as easy to produce as were the plans to build them. Rail projects like Metrolink and the Red Line in Los Angeles have been planned on some very generous assumptions — assumptions that some critics say shouldn't have been made. Democratic Assemblyman Richard Katz of Sylmar, chairman of the Assembly Transportation Committee, pointed out that the federal government has underfunded its transportation funds by as much as 20 percent, yet the California Transportation Commission — the arm of state government with the power to allocate those funds — has passed the money out under the assumption that the feds would come through with 100 percent. Also, state officials assumed that a pair of other bond measures would pass and thus programmed that money, too. All this fell apart when a $ 1 billion bond measure, Proposition 156, failed in 1992.

Once the money is raised, from whatever source, it flows into a transportation fund allocated among many uses, rail and highways among them. Thus, rail funding suffered when a large chunk of the money was spent on repairing and retrofitting freeways and bridges after the 1989 Loma Prieta earthquake. In addition, gas-tax revenues, used to maintain transit systems, are down due to conservation measures and more efficient cars. Federal funds may not be used for maintenance, nor may bond money. They can be used for capital outlay only.

Proposals to raise more money from gasoline taxes aren't very popu-

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lar these days with voters or politicians, especially in light of the new federal gas-tax increase recently passed as part of the Clinton administration's deficit-reduction program. One idea that's being kicked around is taxing drivers on the miles driven — rather than the amount of gasoline used — specifically for running and maintaining transportation systems. For the average driver, the tax would add another $20 to $30 to their annual transportation budget. The money would be used to meet the projected $586 million shortfall for fiscal year 1995-1996. But without some help, rail projects may be built but be left with no money to run them.

Even with billions of dollars spent on rail, California's transportation future is the automobile. Analysts project that mass transit will affect only about 10 percent of travel. "That's a big increase from [now]," said Mehdi Morshed of the Senate Transportation Committee, speaking of the mere 5 percent of trips currently on mass transit.

"We obviously have a great deal of investment in our highway system that we can't walk away from," said Susan Brown of the California Energy Commission.

Some automobile critics ask why California can't duplicate the success of mass transit systems in Europe and Japan. But those who have observed and studied transportation for years say that policy must change before mass transit can begin to replace the auto. Europeans ride mass transit because the cost of operating a car is too expensive — in many respects because of high taxes on gasoline. "They do it on purpose," said Morshed. "If you want people out of their cars, you have to price them out."

Politically, however, that may be impossible anytime soon. Just consider the uproar over President Bill Clinton's mere four cents per-gallon tax increase, it's unlikely that politicians will have the nerve to impose, say, a one or two *dollar* per gallon tax. Government — both federal and state — claims that America needs to reduce its consumption of oil. But policies make that same oil as cheap as possible. "That's schizophrenic," said Morshed. Unless something drastic changes public policy, the car will still rule California.

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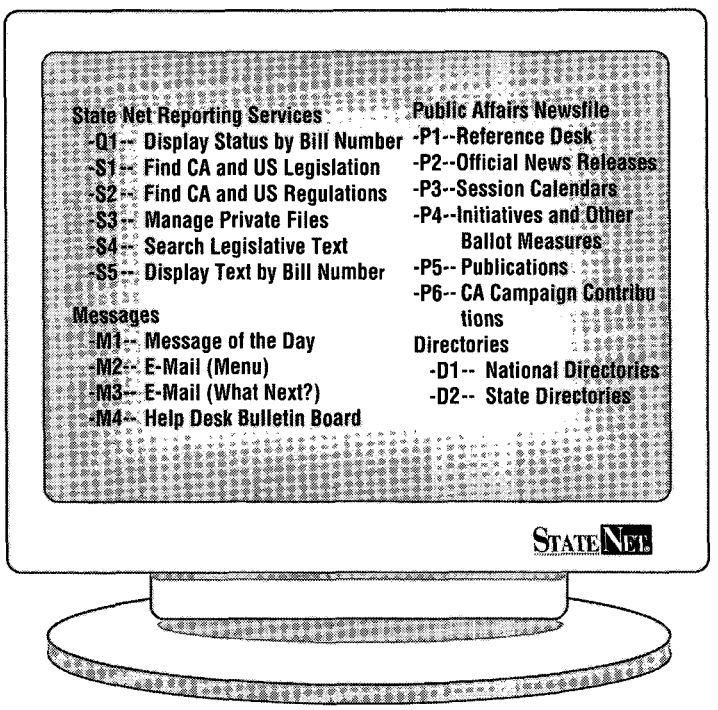

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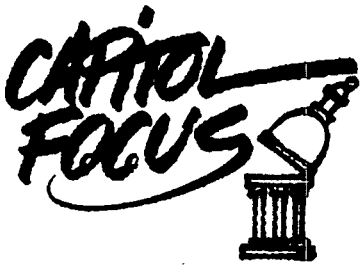

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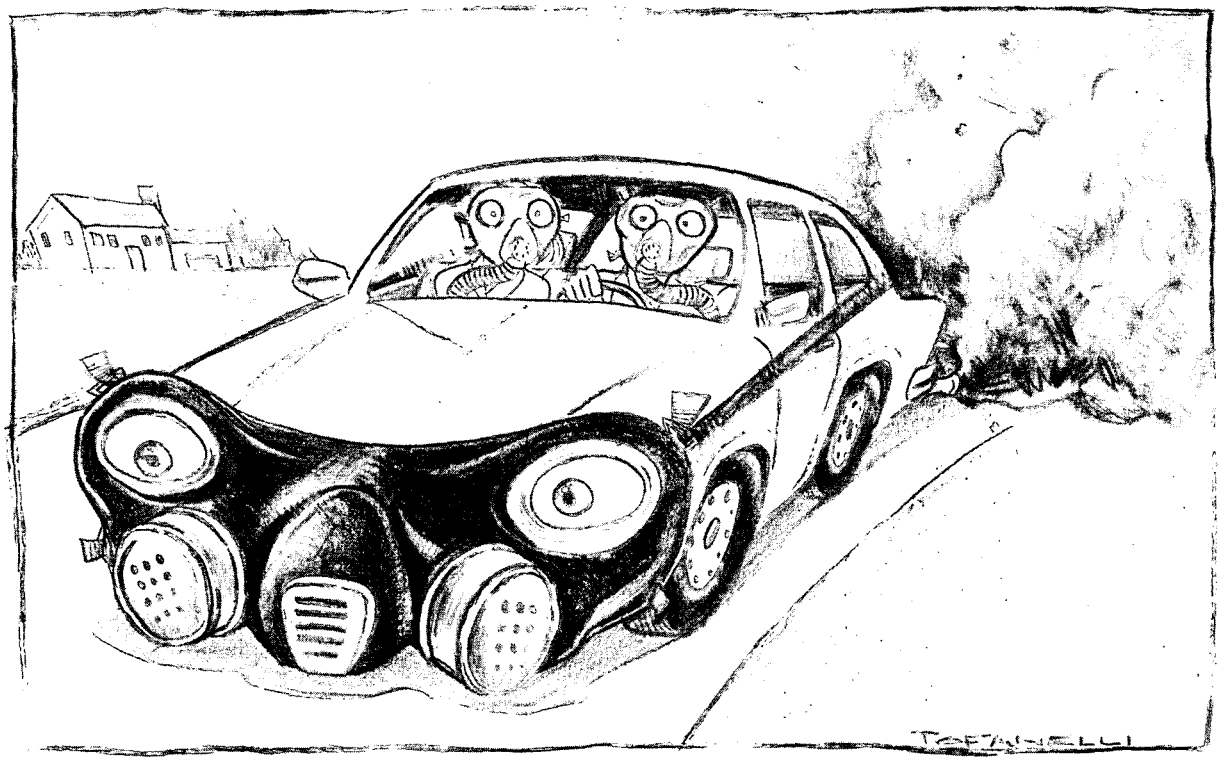

illustration by Mike Tofanelli

THE SQUABBLE OVER SMOG CHECKS

The federal government wants to do away with testing and repairs under one roof. California service-station owners want to maintain the status quo. A prominent state senator is trying to fashion a compromise. And the Wilson administration hasn't made up its mind.

By Margaret Steen and Mary Beth Barber

Imagine your neighborhood with smog so thick you can't see clearly across the street and your eyes constantly sting, and your neighbor's car — or possibly your own — chokes out puffs of black smoke, despite a clean slate from a local testing facility.

Now, imagine your neighborhood torn apart for months by construction, then filled daily with thousands of motorists seeking inspections at a newly constructed, centralized smog-check station. Worse yet, imagine that your neighborhood does *not* have a new station. Then, every two years, you'd have to drive for miles and wait for hours at a facility in another neighborhood. If your car failed to pass the check, you'd have to drive to yet another place to have it repaired, then drive *back* to the check station in hopes that the mechanic had fixed the problem.

These are the specters raised in an acrimonious debate over the future of smog check between those who want to scrap the current test-and-repair system for a new program, and those who believe that the new proposals would cause significant trouble for drivers and would be impossible to implement because of the vastness of California's automobile fleet. The future of smog check is now being hotly debated in the Legislature and on the federal level, and involves environmentalists, small business owners, legislators and federal officials who question the viability of new programs being proposed in California.

Currently, testing and repairs both may be done by the same service station. Critics

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Margaret Steen is a California Journal *intern. Mary Beth Barber is assistant editor of the* Journal.

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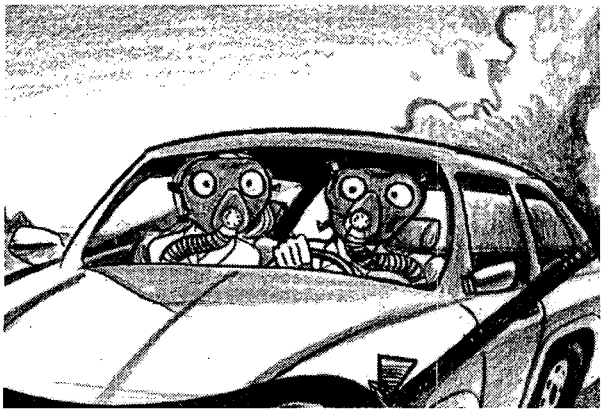
of that system, including the federal government, fear that it promotes fraud and thus want to separate testing and repairs by putting the testing function into centralized smog-checks stations — a program they say works well in other states where motorists often wait less than two minutes for an inspection.

Spurring debate is the notion that California's system must change to comply with 1990 amendments to the federal Clean Air Act. And almost everyone — except service-station owners, who have invested thousands of dollars in the current program — agrees that many current smog-check stations will no longer be able to issue certificates once that change occurs. The issue is complicated by too many cooks: The new system must be devised by the Legislature, approved by the federal Environmental Protection Agency and implemented by the Wilson administration through the Bureau of Automotive Repair.

As a result, California does not present a united front. Service-station owners — guardians of the status quo — had legislative allies in Democratic Senator Dan Boatwright of Concord and Republican Senator Newton Russell of Glendale, but have since moved and are negotiating with the Assembly Transportation Committee, headed by Los Angeles-area Democrat Richard Katz. Environmentalists want clean air and, given their druthers, would eliminate the possibility of fraud by separating testing and repair. Others favor compromise, such as a proposal by Democratic Senator Bob Presley of Riverside that would eliminate ping-ponging between check and repair stations by allowing the repair station itself to make a second, post-repair smog check.



After months of negotiations, the issue is reaching a crescendo during the last few weeks of session as interests attempt to hammer out a plan that satisfies EPA, environmentalists, and current smog-check station owners — a feat that most involved parties say is impossible. One idea is a program that would enhance the current system to prevent fraud but allow the federal government to implement their rigorous centralized system if the number of polluting cars doesn't decrease on California roadways. EPA, however, claims that the proposal is just an attempt by the state to postpone real changes, and that such postponements have been going on for years.

And then there is Governor Pete Wilson, whose administration must carry California's water in negotiations with the federal government over an acceptable system. But Wilson himself has yet to stake out a position, and his administration has reversed its view of separating repair and check. Thus, confused signals have emanated from various quarters within the administration. Finally, that confusion has allowed the Legislature to drag both feet in finalizing a solution acceptable to the federal government.

The federal deadline for California doing *something* is November 15, 1993. If by then the state cannot devise a system acceptable to EPA, California could be sanctioned by the federal government. And sanctions could mean the loss of federal highway money, as well as having additional air-quality restrictions placed on industry — an unpleasant possibility at a time when the state is trying to improve its business climate.

The current system — where testing and repairs are done by the same mechanic — is outdated, according to a recent evaluation by a panel created by the Legislature. Although the system may have helped meet clean-air standards when it was introduced a decade ago, it now is inadequate due to increasing numbers of cars, technological advances that make cars more difficult to test, and the difficulty of monitoring a decentralized system. Three-fourths of the cars the panel sent undercover to smog-check stations, for example, did not receive a thorough inspection. And although smog check still helps improve air quality, the panel found that it would be almost impossible to meet new federal requirements by simply tinkering with the existing system. The panel itself was composed of representatives from the state Air Resources Board and local air quality management districts.

To meet these new Clean Air Act standards, California's system must eliminate twice the current quantity of overall emissions — including the three main pollutants of carbon monoxide, hydrocarbons and oxides of nitrogen. The areas most affected are those that currently have poor air quality — metropolitan Los Angeles, Sacramento, Fresno, Bakersfield, southern Ventura and western San Diego counties. Significantly, San Francisco Bay Area is barely affected, since its air meets current federal standards. The federal government claims that current program is inadequate in part because it tests for carbon monoxide and hydrocarbons but not for oxides of nitrogen. Before your eyes cross, the more important issue does not involve this pollutant or that pollutant; it involves the system of testing. The EPA must be convinced that how and where the cars are tested will actually bring the state's air quality toward federal standards. This has given rise to a dispute

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between the state and the federal government over methodology.

"A number of people have tried to portray this issue as the EPA cramming a program down a state's throat," says Douglas Eisinger of federal EPA's San Francisco office. "That is so far from the truth."

Au contraire, says James Lee, former deputy press secretary to Governor Pete Wilson and now communications director for California's EPA. "These people are on a mission to force California to adopt their standards," Lee says. "The [federal] EPA has basically decided that California is the big nut to crack."

California certainly is big. It has one quarter of all the cars in the country that require enhanced inspection and maintenance programs. And although Eisinger says EPA's primary concern is air quality, he admits that his agency worries that letting California bend the regulations could set a precedent for other states.

Lee also calls the fight partisan — "Let's all dump on Pete Wilson" — because some congressional Democrats from California have urged the Wilson administration to support a program acceptable to feds. But Lee conveniently neglects to mention that the regulations now being "dumped on Wilson" were inherited by the Democratic Clinton administration from the *Republican* Bush administration, which wrote them with input from the states — including, by the way, California.

In mid-1992 the Bush administration asked states to comment on its proposed regulations. Some of California's suggestions — put forward by James Strock, secretary of California EPA, and Andrew Poat, undersecretary of the State and Consumer Services Agency — bore the seeds of impending disagreement. They objected, among other things, to the federal government discounting by 50 percent the air-quality improvement from cars tested and repaired by the same facility. They also asked EPA to test equipment developed by California's Bureau of Automotive Repair and allow it as an alternative to the equipment recommended by the federal agency. The EPA did test California's equipment but said it did not perform well enough. Both matters remain sticking points.

Compounding the problem at this point is an apparent change of heart by the Wilson administration. Last summer, it seemed to go along with the notion of separating check and repair functions. In fact, Strock and Poat called allowing the two functions to remain under the same roof "bad public policy."

But, "That was then, this is now," says Jim Schoning of the Bureau of Automotive Repair, explaining why the Wilson administration now seems to want to maintain at least some semblance of the current system. Defense cuts and continuing economic problems, he explains, make it too difficult to change the program dramatically.

Many of those fighting EPA say that the possibility of harmful sanctions is remote, for President Bill Clinton wouldn't really punish California on the eve of his re-election campaign. EPA officials disagree, however. They point out that EPA imposed sanctions on California in the early 1980s when the state was slow to enact its first smog-check program. And Eisinger says EPA is legally obligated to impose new sanctions if the regulations aren't met. On top of that, some observers warn that environmental groups may sue if EPA doesn't enforce its regulations.

Environmentalists, however, have taken a more pragmatic tack, rationalizing that some reform is better than none — or better than sanctions. To that end, a number of environmentalist groups had backed Presley's efforts to forge a compromise, and have gone ahead and sat down with the repair industry. Presley's bill would require all cars to be tested every two years at test-only sites. Vehicles failing the initial test would have to go to another site to be repaired. But cars that had not been tampered with, were emitting only slightly more than the limit, and that passed the evaporative emissions test would be allowed to be repaired, retested, and given a smog certificate at special "Gold Shield" stations by mechanics with more training and monitoring than current mechanics. Presley has been negotiating with the federal EPA to correct points in the bill that fail to meet EPA standards — mainly the separation of test and repair. His original vehicle for the "Gold Shield" program failed, but another bill dealing with auto testing may be altered to include a new smog-check proposal before the Legislature recesses in mid-September.

The federal government is taking a hard line on separation because its research has found that having the same mechanic test a car, repair it and retest it is only half as effective as testing and repairing cars at different sites. Thus, EPA assumes that any system that doesn't totally separate test and repair is only 50 percent as effective as a system that does. The 50 percent discount means that a system allowing testing and repair at the

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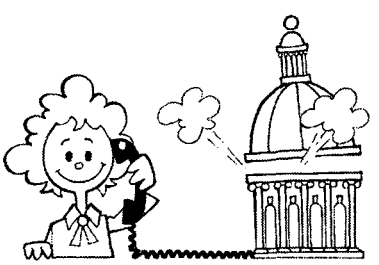

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same site, such as the Gold Shield plan, fails the test. Even if EPA did change its standards and eliminate the 50 percent discount — a scenario that Eisinger says is unlikely but "not impossible" — EPA still says there are other flaws with Presley's program.

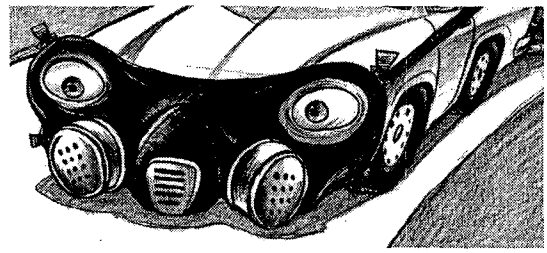
EPA claims that there is room for innovation by states that design smog-check programs. But a Catch-22 seems to be at work. On one hand, EPA requires that its program be implemented unless states prove that a different system would work. But California can't prove that a system that combines testing and repair will work because no state has reached new federal standards under such a system.

A different idea has been proposed in Assembly Transportation: Enhance the current program significantly and if things don't change within a certain time frame, enact an EPA-prescribed centeralized system for part of the fleet. "That way EPA can't lose," said National Resources Defense Council's Veronica Kun. EPA hasn't made any concrete comments on the proposal, but Eisinger is skeptical whether it really changes anything or is just another postponement of a deadline. "That's an analogy of what has happened in the past," he said.

Currently, all eyes are on Mary Nichols, former head of ARB under Jerry Brown and former head of the NRDC. She was recently appointed by Clinton to head up EPA's oversight of air toxics from automobiles, and there are hopes she may be able to bring the issue to a close. Some in California see her appointment as a hopeful sign that the federal EPA may be willing to bend on the issue somewhat, while EPA believes that the state may be more willing to listen to their side of the issue if it comes from Nichols. Nichols said she would not comment, pending her approval by Congress.

A conflict also is looming over technology. Most of the proposals being discussed use a machine with rollers under the car's wheels that simulate actual driving while the car's emissions are being tested. EPA is recommending that stations use a test that simulates acceleration, deceleration and hills. But the equipment for this test costs between $100,000 and $140,000, says BAR's Schoning. He wonders whether the same results could be achieved via a less expensive method. For instance, BAR has developed a test

Three quarters of the cars the panel sent undercover to smog-check stations did not receive a thorough inspection.



that costs only $25,000 and simulates driving in four different conditions — but not up and down hills. The feds say the less-expensive equipment does not properly identify problem vehicles, and California may have to bend on this issue to get a program approved.

The third problem with proposed compromises is a Clean Air Act requirement that a car owner pay at least $450 for repairs before being eligible for a smog-check waiver. California's current system allows waivers if repairs would cost more than a certain amount of money (the amount depends on the type of car). Under a literal reading of the Clean Air Act, car owners would have to show that they had already spent at least $450 before obtaining a waiver.

A spokeswoman for Presley called this issue "very, very troublesome," although she hoped it would be resolved along with other points of contention. But even those opposed to EPA's requirements acknowledge that EPA has little flexibility on this point, since it comes directly from a law passed by Congress, rather than from EPA regulations.

Meanwhile, those with an economic interest in the current system — mainly, service-station owners — are gearing up to protect their territory. They stand to lose hundreds of millions of dollars annually in smog-check business, they claim. They also warn that a centralized testing system could lead to disaster, and they harken back to a time when centralized testing was tried in the Los Angeles area before the current program was adopted. That old system, which required testing every time a car changed owners, was plagued by long lines and inefficiency. But supporters of a new centralized system say the old program did not have enough stations, and that proposed programs would emulate efficient centralization now running smoothly in other states.

The real effect of the proposed program is difficult to predict. The actual waiting and testing time for owners of the 70 to 80 percent of the cars that pass an initial test could be less than it is now. For those whose cars didn't pass, the new system would almost certainly take more time.

The California Service Station and Automotive Repair Association was sponsoring SB 1195 to keep the current system intact. Their proposal, sponsored by Boatwright and Russell, would have saved the service-station owners' investment in the current program, estimated at about $40,000 per station. (There is some debate about whether the station owners, if a centralized system is adopted, could get back much of their investment by selling their equipment to other states or countries who are just starting less advanced emission control.) Roadside sensors would be used to fight fraud; a service station would be penalized if a large number of cars it passed were caught on the road releasing excess emissions. A centralized computer system would be used, as well as some upgraded equipment. While SB 1195 appears dead in the water, many of its key provisions could be written into a compromise — although from EPA's point of view, the Boatwright-Russell proposal is unacceptable because it still doesn't separate test and repair.

Meanwhile, the bargaining and negotiating continue in public and in private. If the impasse is resolved by the deadline, it will probably be due to a compromise worked out behind the scenes and then written into a bill still alive in the Legislature. Presley thinks differences with EPA can be resolved, while others are growing antsy about the possibility of any compromise that can satisfy the federal government and still be politically feasible. And while the Legislature needs a bill by the end of session, most parties agree that the battle over smog check is far from resolved.

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Senator Bob Presley

Is this Riverside lawmaker a "man of the people," a crafty politician — or both?

By Margaret Steen

Illustration by Patty Lyn Tweten

David Townsend once accompanied state Senator Bob Presley to the office of then-Attorney General George Deukmejian. Presley gave the receptionist their names, and they waited. And waited. Finally an aide called them into the office, dismayed at the delay. "You should have said 'Senator Robert Presley,'" the aide admonished. "What difference would that make?" asked Presley in genuine astonishment.

Presley "doesn't have a big ego," explains Townsend.

Margaret Steen is a California Journal *summer intern.*

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"He doesn't expect people to kiss his boots."

After running an unsuccessful state Senate campaign in 1972, Democrat Presley defeated an incumbent senator in his Riverside and San Diego County district in 1974. His consistent re-election in an increasingly Republican district is the result of his moderate philosophy, his law-and-order credentials, and his effectiveness as a lawmaker.

"I think he's an effective member because he works diligently and over the years has occupied a number of positions of importance," says Democratic Senator Bill Lockyer of Hayward.

Presley's current positions of importance include chairman of the Senate Appropriations Committee, the Senate Select Committee on Children and Youth and the Joint Legislative Prison Committee. During the course of his career, Presley's effectiveness has been measured by passage of bills to protect the environment, stop white-collar crime, fight workers' compensation fraud and strengthen the state's discipline systems for physicians and attorneys.

Presley attributes his success to a moderate philosophy and an ability to compromise. To those who wonder if he sometimes compromises too much, he says, "What I've found is that you get what you can get at a given time, and then you build on it."

This careful approach has earned Presley few critics. Those who sometimes disagree with him, like liberal Democratic Senator Nicholas Petris of Oakland, like him because they agree as well as disagree, mostly over protection of the environment. "I think he's terribly conservative," says Petris, "but he represents his district."

Presley is praised from the other side of the aisle as well, although somewhat more guardedly. "I think he has a terrific persona as a man of the people, even folksy," says Senator Bill Leonard, a conservative Republican whose San Bernardino district adjoins Presley's, "when in reality he's a crafty politician."

Townsend, who was Presley's chief of staff for five years, describes the "man of the people" side of Presley: "He once told me that in the Legislature he could say and do what he thought was right, because he had already completed his career in law enforcement."

The closest anyone comes to actually criticizing Presley is Leonard's description of him as a "crafty politician minimizing the opposition." Before an election, Presley frequently hints that he might re-register as a Republican, Leonard says, then files as a Democrat after no strong Republican challenger has come forward. "The last thing the chairman of Appropriations is going to do is switch to the minority," Leonard says. "He's not stupid."

Presley's success at getting bills through does not come from "passing bills honoring the beetle as the state bug," Townsend says. His legislation on prison building and smog control stand out as examples of the senator taking on tough issues.

"I guess I've carried every bond issue to build state prisons over the last 10 years," Presley says. As a result, he's even had a corrections-related institute named for him in Riverside.

Presley says he knows that some people question whether California's massive prison build-up was effective. "I've always said the answer to that is, just let 'em loose and see what happens," he responds. "And I think you'd see a big increase in crime if you started turning a lot of those people out."

The smog control act of 1982 was "by far the most difficult bill that I've ever carried," Presley says.

"I begged him not to get involved in the smog issue, figuring that it was a loser issue for a politician," says Townsend. "He's proved me wrong."

Townsend could still be proven right, however. One of Presley's main goals this session is to revise the smog-control statute to comply with new EPA regulations (see story, page 13). His bill, SB 119, has the guarded support of environmental groups but faces opposition from both the service-station industry and the federal government. Presley is trying to settle disagreements with the federal government about the structure of the new testing program. Meanwhile, people on both sides are working to fashion their own compromises.

Some of the bill's California opponents resent the federal government's threats to withdraw highway funds if the state doesn't comply, but Presley calls this a weak argument. "We dictate to the cities and counties all the time, so it's understandable that the federal government is going to dictate to us," he said.

Presley plans to run for re-election in 1994 and hopes to be able to accomplish more on the environmental front before term limits end his career in 1998. After that, he plans to work in the private sector. "I want to get out of government," he says. He already has attracted an opponent for 1994 — conservative GOP Assemblyman Ray Haynes, who lost to Presley in 1990 and expresses confidence at being able to knock him off this time around.

In the meantime, Presley has his eye on Senate President pro Tempore David Roberti's position. Roberti will leave office in 1994, and may leave his leadership role before then. Several people are anxious to fill his spot, including Lockyer. The Hayward Democrat has no comment on Presley's chances, but says, "I would expect he'd have a significant role to play in any future configuration of Senate positions."

Petris says Presley's chances would depend on how aggressively he pursued the position. "If he became a candidate, he would be strong," Petris said. On the other hand, some observers feel Presley would not actively campaign for pro tem but would gladly accept the job as a compromise should other candidates deadlock the Democratic caucus.

"Bob is by nature not a self-promoter," says Townsend, who adds that Presley would be a top candidate if the other Democrats in the Senate decide they want a policy-oriented, centrist leader. "If it's going to require a lot of wheeling and dealing to get the job, I'm not sure that Bob is going to do that."

Presley points out that campaigning for a leadership position in the Senate is different from "a political campaign where you're trying to sway masses of voters." He would campaign for the office, he says, by speaking one-on-one with members of the Democratic caucus about his legislative and administrative experience. Beyond that, Presley is, as usual, cautious and moderate.

"That's something I have an interest in," he says. "When there's some indication of when the position's going to be vacant, why then I think there will be some more effort made in that direction."

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A California Journal Analysis

NOVEMBER 1993 BALLOT PROPOSITIONS

PROPOSITION NUMBERING

In 1983 the Legislature passed a law requiring that ballot measures be numbered consecutively from election to election, starting with November 1982. Previously, each election got its own set of proposition numbers starting with 1, but the system proved confusing. If you say, "Proposition 13," do you mean the tax-cutting proposal of 1978 or the water-conservation proposal of 1982? Since 1982, 167 propositions have appeared on various ballots, thus the current group begins with the number 168. It will continue this way for 9 years, so the next Proposition 1 will be in 2002.

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INTRODUCTION

The state doesn't normally hold elections in odd-numbered years. But Governor Pete Wilson called one for this November 9th, despite the fact that a special election statewide can cost some $20 million. Nearly 70 percent of the voters would have been going to the polls for local elections in any case on that day, so the actual additional cost to taxpayers will be less. Wilson called the election as part of his budget-balancing package. One of the measures up for consideration is an extension of a one-cent sales tax increase that was due to expire June 30th (Proposition 172). As part of his compromise with the Legislature to get the budget passed, Wilson agreed to extend the sales tax for another six months, but said any extension beyond that was up to voters. A by-product of the decision is that the controversial voucher initiative (Proposition 174) will be on the upcoming ballot, instead of next June when Wilson's name will also appear as he runs for re-election. The last statewide special election was held in 1979 when voters passed Proposition 4 — the so-called "Gann limit" proposal by the late tax crusader Paul Gann that capped spending by state and local governments.

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168 LOW-RENT HOUSING PROJECTS

A constitutional amendment, placed on the ballot by the Legislature, to require that low-rent housing projects be approved by the voters only if enough people sign petitions asking that the project be placed on the ballot. It also changes the legal definition of low-rent housing so that fewer projects would be subject to the public-notice requirements.

Background: The California Constitution requires that local voters approve the government's construction, development or purchase of all housing subsidized by the government for people who can't afford to rent on their own.

Proposal: This constitutional amendment does two things. First, it limits the types of housing developments subject to public approval. Only large housing facilities that received direct federal funding, had a negative impact on either the appearance or the revenue of the local community, and met other criteria would qualify. Second, it sets up a new system for public approval. Instead of having the public vote on every project, the government would have to inform the public of its plans. There would be an election only if enough people signed a petition within 30 days. (The number of signatures would be the same as currently required to put a local referendum on the ballot.) This amendment would probably result in a minor reduction in election expenses for local governments. Since it would make it easier to build low-rent housing, some local communities might build more housing and thus pay more.

Arguments for: Proponents include officials of the League of Women Voters of California, the Congress of California Seniors, the Planning and Conservation League, and the Los Angeles Area Chamber of Commerce. They argue that the amendment will provide housing for families, senior citizens, veterans, and the disabled, while creating jobs for those who build the housing. The amendment preserves the citizens' right to vote on controversial housing, they say, while saving taxpayers money by not forcing elections when there is no opposition.

Arguments against: Opponents, including Ted Brown of the Libertarian Party of Los Angeles County and Richard Gann of Paul Gann's Citizens Committee, call the amendment "anti-democratic." The requirement that citizens vote on low-rent housing, they say, has stopped many questionable projects before they got started. They say government-subsidized housing often traps needy people in "filthy, crime-ridden tenements." Finally, they object to the new definition of low-rent housing, which they say will mean that many projects will escape public scrutiny altogether.

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169 BUDGET IMPLEMENTATION

A constitutional amendment, placed on the ballot by the Legislature, to allow all the "trailer bills" that follow the state budget — bills that change laws needed to implement the budget — to be put into one bill. It allows the governor to veto and the Legislature to override individual provisions of the trailer bill.

Background: The California Constitution says that legislative bills may only cover one subject. The annual budget is an exception to this rule, however. Along with the budget come "trailer bills" —there were about 20 in 1993-94 — that enact or change various laws needed to balance the budget. Under current law, all these bills are voted on separately by the Legislature.

Proposal: This amendment would allow the Legislature to put all the "trailer bills" into one big bill that each year follows the budget through the legislative process. A similar practice had been in place until a few years ago, when the California Supreme Court said the Constitution did not allow trailer bills to be combined. The governor would be able to veto individual provisions of the bill, and the Legislature could override the vetoes separately as well. There would be no significant cost or savings to state or local governments.

Arguments for: Proponents include former Democratic Senator Barry Keene, former Legislative Analyst A. Alan Post, and Kirk West, president of the California Chamber of Commerce. Just as the budget covers more than one subject in an effort to reconcile competing interests and keep the state solvent, they say, so the bills that allow the budget to work should be considered as a group, rather than separately. Currently it is easy for supporters of a particular program to hold up one trailer bill while demanding more money for a pet project than was provided for in the budget. The amendment's backers say this system misleads people, because they see individual programs rather than the budget as a whole. This amendment, supporters say, will keep special-interest groups from jeopardizing the entire budget by killing one trailer bill and will make it easier to pass the budget on time.

Arguments against: Republican Assemblyman Dean Andal of Stockton and former Assemblyman Tom McClintock, now director of the Center for the California Taxpayer, say the amendment couldn't be a reform plan because it was written by politicians. With all the trailer bills in one package, they warn, it will be easier for tax increases to slip through without the public knowing about it. Politicians will be able to vote for a package instead of individual bills and will be less accountable for the taxes they raise.

170 PROPERTY TAXES. SCHOOLS, MAJORITY VOTE. DEVELOPMENT-FEE LIMITS

A constitutional amendment, placed on the ballot by the Legislature, to allow a simple, rather than two-thirds, majority of voters to approve bonds for schools when those bonds raise property taxes above the 1 percent limit prescribed in Proposition 13 of 1978. It also keeps in place the limits on fees charged to developers, even if a bond measure fails.

Background: California's schools, from kindergarten through community colleges, will need billions of dollars for construction and renovation in the next five years. The state currently helps local governments pay for schools by using bonds from the school facilities program. Bonds are like long-term loans, and they help spread out payments on items that are difficult to pay for all at once. The government often asks voters to approve bonds to build and maintain schools. Currently, the government must get the approval of two-thirds of the voters to raise property taxes beyond 1 percent of the property's assessed value, which is required to pay for bonds. Schools also receive funding from local bonds and special fees from developers. The developers' fees are limited, but current law says that the limits will be removed if a statewide bond for school facilities is voted down.

Proposal: This constitutional amendment would make local districts take more responsibility for funding school facilities but would also make it easier. If it passes, only a simple majority vote, instead of a two-thirds supermajority, would be required to pass a local bond measure for school facilities and raise property taxes above the 1 percent limit. In the past, many such bond measures have fallen short of the two-thirds requirement while receiving a majority vote. Often, a bond measure will receive as much as 64 percent of the vote — and fail. Under this amendment, developers' fees would be limited even if a bond measure failed. The state would save money if this amendment passed because fewer *statewide* bonds would be needed for school construction. The school facilities program would be greatly reduced. Statewide, local districts' combined financial burden would increase, offsetting the state's savings. The effect on individual districts would vary depending on how many improvements were needed in their facilities.

Arguments for: Supporters include officials of the California State PTA, the California Chamber of Commerce, the League of Women Voters of California, the California Labor Federation, and the Congress of California Seniors. They say the amendment will give local voters more control over school construction, since state money is often accompanied by state control. They call the majority vote requirement a "democratic principle," and say the amendment keeps in force all other Proposition 13 protec-

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tions against increasing property taxes. To protect the taxpayers' investment in existing schools, the schools must be repaired and protected against earthquakes, they say.

Arguments against: Opponents, including Howard Jarvis Taxpayers' Association and GOP Assemblyman Ross Johnson of Brea, say the majority vote requirement will allow almost all bond measures to pass, thus raising property taxes. Renters would be able to out-vote property owners and pass a tax that only property owners have to pay. In addition, they say, this amendment amounts to a shift in tax burden from developers to homeowners.

171 PROPERTY TAXATION TRANSFER OF BASE-YEAR VALUE

A constitutional amendment, placed on the ballot by the Legislature, that allows counties to allow people whose property is destroyed in a disaster to rebuild or buy outside of the county where they were living and have their new property assessed at the same value as their old property.

Background: Property in California is taxed based on its assessed value. The assessed value is the value of the property in the year is was bought or newly built, with small yearly increases. When a home or other property is destroyed by a natural disaster, the owners can rebuild a comparable home in the same county and have it assessed at the same value as the original property was before the disaster.

Proposal: This constitutional amendment would allow the Legislature to extend this disaster protection to people who chose to rebuild in a different county. If implemented by the Legislature, counties that agreed to participate could allow land values to be transferred after disasters under certain conditions: The governor must have declared that a disaster occurred, the property's value must have dropped by at least half, and the replacement must be comparable to the damaged property and built or bought within three years of the disaster. Counties that chose to participate would lose some property tax revenue, which would probably not be significant. The part of the lost revenue that was designated for school funding would have to be replaced by the state. There would also be some administrative costs to counties.

Arguments for: Assemblywoman Barbara Lee and state Senator Nicholas Petris, both Oakland Democrats, argue that this amendment will help people rebuild after a disaster without having to worry about increasing property taxes. It would be a particular help for people who learned through a disaster that their home was built in a dangerous location. They say this is a logical extension of propositions allowing property value transfers within the same county, or to people over age 55. Furthermore, no county will be forced to grant this transfer; it is optional.

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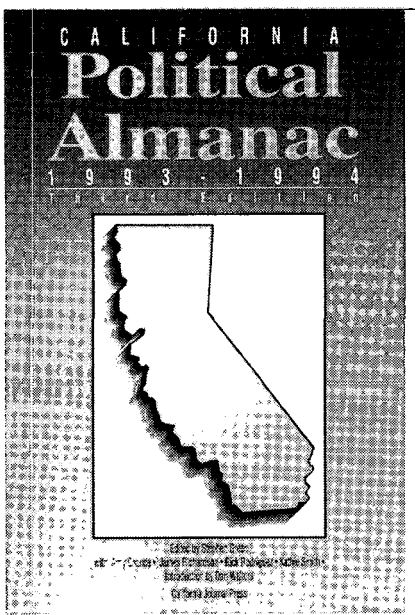

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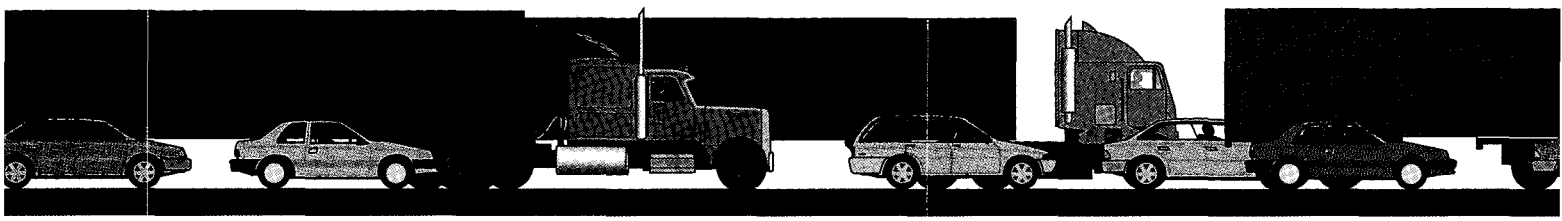

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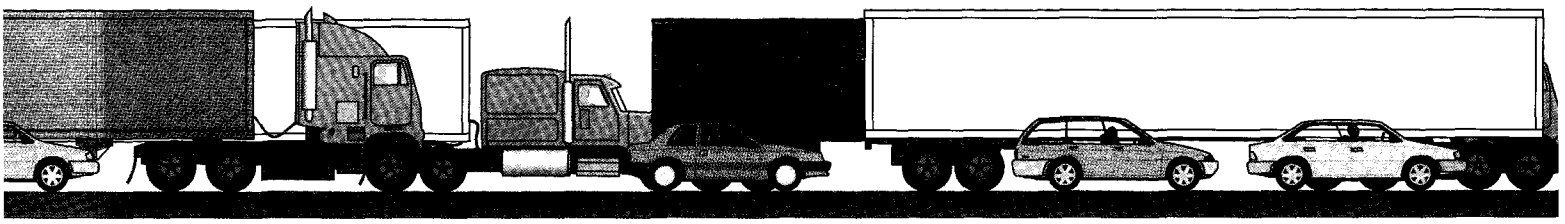

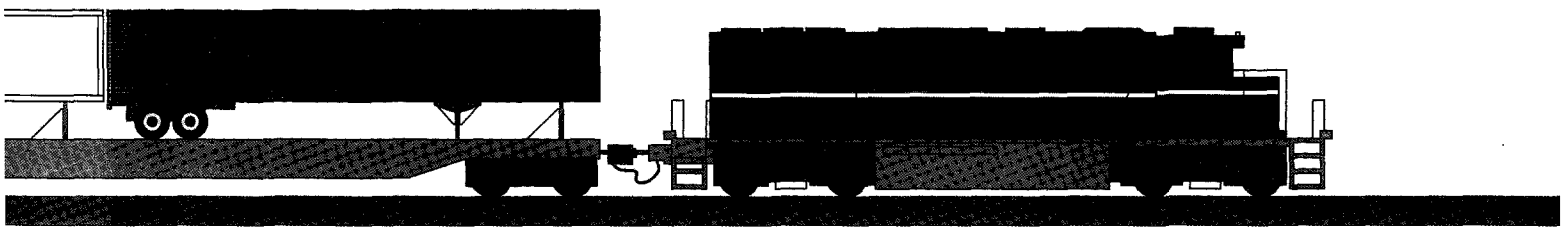

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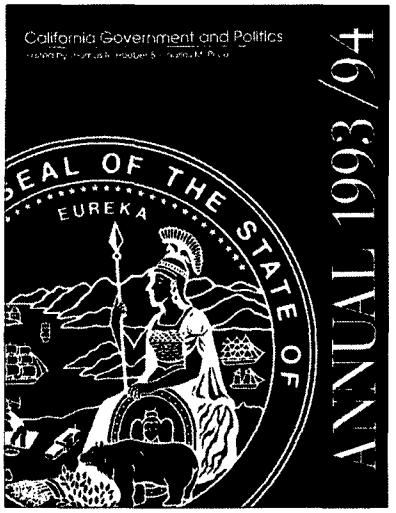

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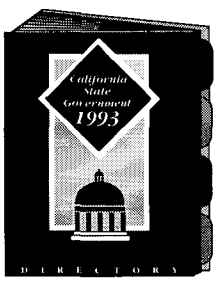

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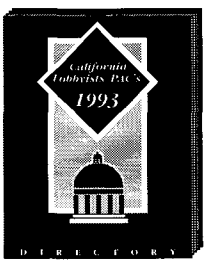

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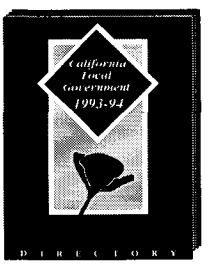

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Arguments against: Attorney Gary B. Wesley says Proposition 13 of 1978 created a tax system that is fundamentally unfair because it assesses property when sold and not, for example, when leased, as commercial property often is. This particular amendment, he says, could encourage businesses to move after a disaster, taking jobs with them. Wesley says a new property tax structure should be drawn up that is fair to everyone.

172 LOCAL PUBLIC SAFETY PROTECTION AND IMPROVEMENT ACT OF 1993

A constitutional amendment, placed on the ballot by the Legislature to collect a half-cent sales tax, with revenues dedicated to public safety.

Background: Back in 1991, facing a multi-billion dollar gap between state revenues and spending, Governor Pete Wilson went along with a legislative proposal to impose a temporary half-cent sales tax to meet the budget crisis. Two years later, as the 1993 budget drama unfolded, Democrats and Republicans once again grappled with how to resolve a two-year budget gap that had ballooned to $9 billion. With both sides loathe to cut education funding, Wilson proposed the transfer of $2.6 billion in property tax revenue from local governments to the state. Local governments howled at the prospect of losing a significant chunk of their already scaled down budgets. Democrats wanted to make up the revenue loss for locals by extending the half-cent sales tax past its expiration date of June 30, 1993. But Wilson — backed by legislative Republicans — refused. With the two sides seemingly gridlocked on the issue, law-enforcement officials — among the governor's staunches allies — trooped to Sacramento to warn that Wilson's proposed shift of revenue from locals to the state, coupled with the loss of the half-cent sales tax, would cripple public safety. They urged Wilson to extend the tax. The governor reluctantly agreed, but only until January 1994. Then, he said, it would be up to voters to decide whether to extend the tax beyond that date. To that end, Wilson called this special November statewide election to give voters that opportunity.

Proposal: This measure places a half-cent sales tax rate in the state's Constitution that would be effective January, 1, 1994. The current state sales tax rate is 7.25 percent, and will drop to 6.75 percent on that date unless this measure passes. If the measure is approved, the tax would be collected in all counties. But a county would be eligible for the tax revenue only if its board of supervisors voted to participate or voters within the county approved Proposition 172 by a majority vote. The measure is projected to generate about $1.5 billion annually which would offset about 65 percent of the statwide property tax loss to counties and cities resulting from the 1993-94 state budget agreement.

Arguments for: Proponents say that the sales tax is not a new tax, but a continuation of an existing tax — the two-year temporary tax — Californians already pay. The revenue is needed to maintain funding levels for police, sheriffs, and firefighters say supporters, who include Los Angeles Police Chief Willie Williams; the California State Sheriff's Association and California Professional Firefighters.

Arguments against: Opponents say that if legislators would only cut state spending, the tax measure wouldn't be necessary. Further, they say that while the money from the tax is supposed to go to public safety, there's no guarantee that it will. Opponents include Republican Assemblymen Richard Mountjoy of Monrovia and Gil Ferguson of Balboa Island.

173 CALIFORNIA HOUSING AND JOBS INVESTMENT ACT

A statute, placed on the ballot by the Legislature, to allow the state to issue bonds and to use them to provide mortgage insurance for first-time low- and moderate-income home buyers.

Background: The First-Time Home Buyers Act of 1982 allowed the state to sell $200 million in bonds, or long-term loans, to help reduce the loan interest rate for people having difficulty buying their first home. Because of restrictions built into the program, however, only $15 million was used. Another way to help first-time buyers is to provide mortgage insurance, which reduces the required down payment. Often people who can afford monthly payments cannot afford a large down payment. A federal mortgage insurance program is unavailable to many Californians because of the state's high cost of housing. The federal program only insures homes costing less than about $150,000.

Proposal: This measure would replace the 1982 act with a new program that focuses on mortgage insurance rather than low interest rates. The new program would allow the state to sell the remaining $185 million in bonds that were authorized but never sold under the previous program. The California Housing Finance Agency would use the money from the bonds to provide mortgage insurance for 5000 to 10,000 low- or moderate-income, first-time home buyers each year, so that they could buy a home without having to make a large down payment. The state bond funds would be used as insurance in case buyers defaulted on the loans. Buyers would pay a fee for the

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insurance. If it works as intended, the fees will pay the costs of the program and pay back the state for the money it spends on the bonds. If the premiums do not cover the costs of the program, the state would have to pay off the bonds and the interest, at a cost of $300 million or more.

Arguments for: Proponents include Assembly Speaker Willie Brown Jr. of San Francisco, GOP state Senator Marian Bergeson of Newport Beach, and officials of the Los Angeles Area Chamber of Commerce, the California Labor Federation, and Californians for Housing and Jobs. They say the measure will stimulate the economy, create jobs, and help families buy homes, while costing the taxpayers nothing. The state needs to help residents buy homes, they say, because high housing costs keep Californians from getting their fair share of federal aid.

Arguments against: Opponents, including Ted Brown, chairman of the Libertarian Party of Los Angeles County, say there is no proof that the bill will create jobs or that homeowners will be able to pay back the loans. If homeowners default on the loans, they say, the taxpayers will be responsible for paying off the bonds. And the measure is unfair to the middle class, who might not qualify for assistance but have difficulty buying homes themselves. A better approach, they say, would be for the government to cut taxes and housing regulations so more people could build homes.

174 PARENTAL CHOICE IN EDUCATION

An initiative constitutional amendment, placed on the ballot by EXCEL, to provide for a $2600 voucher or scholarship to be redeemed by the student's parents at any participating public or private voucher redeeming school.

Background: For years now, California public schools have been at the vortex of a raging debate over the quality of education being delivered to the state's nearly six million school-age children in grades K-12. Much of that debate has involved money. Critics — pointing to falling test scores, high drop-out rates and what they say is a bloated bureaucracy — claim that despite the billions of dollars spent on schools each year, the education system has failed. Supporters have argued that those billions of dollars still are inadequate.

In the past, the political debate over public schools has mostly taken place in the Legislature, where money for operating schools is dispensed and where lawmakers annually wrangle among themselves and with the governor over funding for schools. Occasionally, the debate spills onto a statewide ballot — as it did in November 1988 when

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voters barely passed Proposition 98. The measure, an initiative sponsored by the California Teachers' Association, guaranteed a certain chunk (about 40 percent) of the state general fund for public schools. The United States currently has approximately 83,000 public schools and per-capita expenditure is approximately $6000 per year. California ranks 39th in the nation with a per-capita expenditure of about $4600. The 1993-94 budget passed last month provides $14.9 billion in general fund money for K-14 education.

But Proposition 98 angered many critics of public education, who argued that more and more money could not fix a public-school system that was monopolistic, archaic, inefficient, and bereft of incentive for innovation and improvement. These critics, mostly Republican and politically conservative, also complained that CTA's growing political clout in the Democratic-controlled Legislature stymied any attempt to change the current system.

Thus, a group of these critics turned to the initiative process to push what had become for many of them the sexy buzzword "choice." They insisited that no effective improvement in public schools will occur until those schools are forced to compete for students. They believe that parents ought to be able to send their children to any school — public, private or religious — based on that school's ability to provide a quality education. Those schools that don't meet student needs or don't deliver a quality educational product will simply lose students to competitors and go out of business.

Proponents of a "choice" system first tried to put their proposal on the November 1992 ballot, but a coalition of education groups — including teachers, parents, school employees and others — ran an effective "blocking campaign" by picketing places where proponents were gathering signatures. Opponents also handed out anti-voucher materials.

Proponents also charged that opponents were clogging up the petitions with invalid signatures, especially after a routine sampling by the secretary of state's office turned up fewer than the required number of signatures. Proponents needed to turn in signatures equal to 110 percent of the valid number required to make the ballot — in their case about 678,000. The random sampling, however, revealed only 106 percent valid. Thus, law required the secretary of state to verify every signature. Although the measure eventually qualified, verification was completed too late for the November 1992 ballot. A subsequent investigation in San Diego found no evidence to substantiate the "clogging" charge.

Meanwhile, the legislative counsel — the Legislature's lawyer — released an opinion that declared the measure a violation of constitutional provisions for the separation of church and state because taxpayer money would be used to fund religious schools. In addition, legislative counsel said the initiative may violate the 14th Amendment to the U.S. Constitution by providing state funds to schools that discriminate based on gender. Although Proposition 174 prohibits schools that discriminate on the basis of race, ethnicity, color or national origin from redeeming scholarships, it does not prohibit schools from restricting admission based on other criteria — including gender, religion, ability and disability.

Proposal: Proposition 174 amends the state Constitution to effect major changes in the financing of public and private schools. Parents would be allowed to choose their child's school, with the state providing a voucher or "scholarship" equal to at least 50 percent of prior fiscal year per-pupil spending for K-12 public schools. The voucher, estimated to be worth around $2600, could be redeemed at any qualified public, private or religious school that participates in the program. The Legislature, which determines the exact value of the voucher each year, also would award "supplemental funds for reasonable transportation needs for low-income children and special needs attributable to physical impairment or learning disability."

The primary fiscal impact involves costs for providing scholarships to students who attended private schools anyway and net savings related to students who transfer from private schools to scholarship-redeeming public school. According to the legislative analyst, the state is likely to incur net costs for the first few years because the state must provide scholarships to all eligible students now in private schools. The California Department of Education has estimated that the costs of providing vouchers for students already in private schools would reduce the current budget for public schools by $2.5 billion, or 10 percent. Savings to the state would increase incrementally as the number of students moving from public to scholarship-redeeming schools increased. The analyst has estimated that 20 percent of public school students, or more than one million, must transfer from public schools before the break-even point is reached for taxpayers.

Arguments For: Proponents, including former U.S. Secretary of Education William Bennett, maintain that Proposition 174 allows parents to choose the best schools for their children, whether they be public, private or religious. Having educational choice fosters efficiency, accountibility, performance improvement and innovation. As schools compete with each other for students, less bureaucratic waste and mismanagement occurs. Proponents argue that the nation's public school system is monopolistic, archaic, inefficient, prevents competition and is bereft of incentive for innovation and improvement. Unrestricted school choice is the best method for restructuring the public school system because it restores performance and accountability. Those schools that don't meet the needs of their students, that don't deliver a quality educational product, will simply lose students to competitors and go out of business.

Arguments Against: Opponents — including CTA President Del Weber and Charity Webb, president of the California School Boards Association — argue that the public school system will be undermined as public money is taken away to pay for students in private and religious schools. They claim that $2.6 billion could be taken from neighborhood schools to pay for students already enrolled in private schools. Proposition 174 also creates pressures for tax increases. Voucher schools will allow discrimination on the basis of gender, religion, test scores, and income. Unlike public schools, voucher schools are virtually exempt from standards: almost anyone with 25 students or more can open a school; teachers are not required to be credentialed or degreed; there are no meaningful core course requirements. In addition, they argue, the initiative is a billion-dollar entitlement program for non-public schools, yet no public audits are required for how the money is spent.

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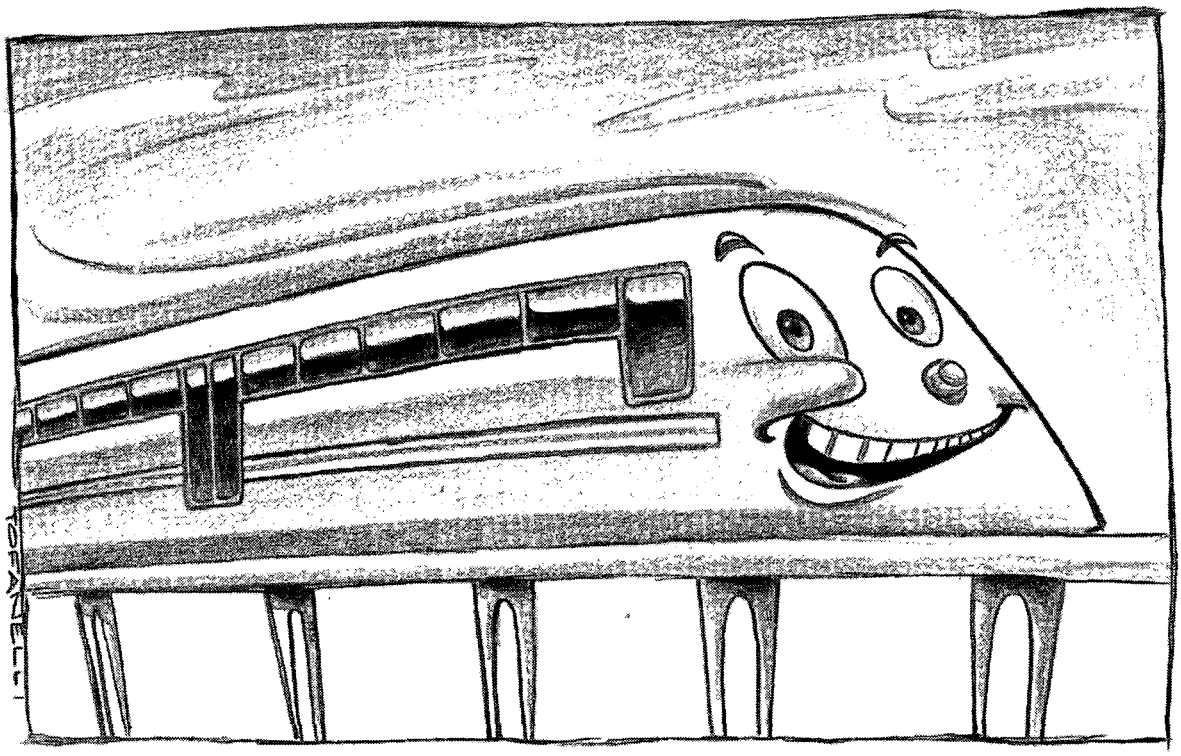

illustration by Mike Tofanelli

WHY THE RUSH?

Will high-tech ease the state's transportation — and air quality — problems?

By Laura A. Locke

"Transportation helped to define California — how it is connected, how it is held together. It defines what we are," said James Van Loben Sels, director of the California Department of Transportation (Caltrans).

If you think about it, the history of transportation is the history of "high-technology" transportation. The Pony Express. The transcontinental railroad. San Francisco's cable cars. Los Angeles' Red Car. Assembly-line automobiles. Faster and more powerful cars. Freeways. All of these innovations were "high-tech" for their time. Now, another wave of high-tech projects may write a new chapter in California history — from alternative fuels to electric cars to high-speed rail. California is pushing hard to develop an advanced transportation industry to create a new generation of cars, fuels and modes of travel that are non-polluting.

The glitzy innovation — one that evokes memories of glamourous early 20th Century travel — is high-speed rail. But glamour isn't the motivator; ecological survival is. As highways become more congested, as smog and pollution proliferate, and as the ozone continues to deplete, trains that move passengers and cargo at speeds in excess of 180 miles per hour are coming into focus. High-speed rail could be a viable mass transit alternative to airplanes and autos for inter- and intra-city travel.

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Bullet (Shinkansen) trains have been the envy of America for more than a decade. California is examining several high-speed rail alternatives that could link urban areas and contribute to the state's economic development and competitiveness. The proposed routes would join Sacramento-Oakland; San Francisco-San Jose-Fresno; San Francisco-Los Angeles-San Diego.

In the past, high-speed rail has not received serious attention or support due to the tremendous costs of purchasing rights-of-way and installing new track over California's rugged mountains and through its populated and land-expensive urban areas. In addition, there is as yet an uncertain market demand. Earlier this year, however, Governor Pete Wilson issued an executive order establishing a High Speed Ground Transportation Corridor Commission to examine the feasibility of all aspects of high-speed rail.

The two vying rail options are steel wheels on steel track and "maglev," or magnetic levitation "floating trains." Steel-wheel technology enhances traditional railways by utilizing powerful electric locomotives, tilting car bodies that shift on curves for passenger comfort and making wide radius turns. It requires lower capital costs compared to maglev, which offers ultrafast 300 mile-per-hour capabilities that are being tested in Germany and Japan. The federal Intermodal Surface Transportation Efficiency Act (ISTEA), passed in 1991, has set aside money for a national maglev prototype. The goal is to have a maglev system finished by the close of the century. The state's share of the cost is estimated at $1 billion to $4 billion. Van Loben Sels has committed to the construction of a high-speed rail system by the end of the decade, but no specific rail technology has been selected, nor has a funding source been identified.

The first big application of high technology to be deployed in the next two to three years is automatic toll collection.

But while rail is a nice transportatiobauble, the real innovation can — and must — take place with the automobile. And here, the state is prodding the transportation industry to innovate, or else. In an unprecedented move, California's Air Resources Control Board has mandated that by 1998, 2 percent of new cars sold in the state must be zero-emission electric vehicles; by 2003, 10 percent of all new cars must meet clean-air requirements. The regulation also calls for the vast portion of the California fleet to operate on cleaner gasoline, natural gas or other alternative fuels. (Manufacturers that produce less than 3000 vehicles per year are exempt.) The ARB predicts that its new standards will produce 20,000 "ultra-clean" electric vehicles in the state by 1994, and 200,000 by 2003. At least 1000 prototypes are now being driven on California's streets and highways.

The centerpiece of this activity seems to be the electric car. But electrics won't flourish because of any inherent dissatisfaction with the internal combustion engine. Conventional gas guzzlers satisfy consumer needs for power, price and driving range that electric vehicles cannot match. But environmental concerns and high energy costs have compelled a more serious look at electric cars.

Not that this is America's first flirtation with "electrics." The very first motor vehicles were electric and were more popular than gas-powered cars until Henry Ford began pumping inexpensive Model "Ts" off his assembly lines during the 1910s and '20s. Interest in electrics resurfaced again during the various oil crises of the 1970s when the supply of gas was curtailed and the price rose steeply.

The main technological stumbling block to mass marketing of electrics has centered on the battery. Batteries for electric cars typically have limited ranges of 100 miles and need eight hours to recharge. To be viable as anything more than a run-about, they need ranges of at least 300 to 350 miles, but that prospect is still several years away.

More important, no company has devised a method to mass produce electric vehicles — a situation that may change if America's Big Three automakers (General Motors, Ford and Chrysler), small entrepreneurial start-up companies and public utilities join forces to meet ARB's mandate. The Big Three, at least, have dabbled with electrics for years but without much motivation.

"They [the Big Three] have very little enthusiasm [for electrics] beyond research and development and prototypes, which gets a lot of money from the feds," said Democratic Senator Tom Hayden of Santa Monica. Hayden's state car is an electric.

Lobbyist John White, whose clients include the Sierra Club, thinks the Big Three "are clearly resisting implementation of the sweeping mandates. ...They've argued against every standard that California has set, including catalytic converters, seat belts and airbags." But American manufacturers may be pushed off the dime by German and Japanese automakers, who plan to market electrics in the United States by 1998.

According to advocates for electrics, the need for them may be seen in the skies over California and the gridlocked cars parked on its freeways. California depends on its autos and highways almost more than any other state (see story, page 7). But California also has the dirtiest air in the country. The Los Angeles Basin suffers more than 150 days a year when the ozone level exceeds federal air-quality standards (see story, page 13). Air quality will only get worse as the state continues to grow and all those additional Californians roll onto the streets. In the '80s, Californians drove autos five times more than they rode mass transit, and car registrations are growing almost twice as fast as the population. Caltrans estimates that by 2005, traffic congestion in California will increase 200 percent over current levels, reducing average freeway speeds during peak periods from 35 miles-per-hour to 11 miles-per-hour and increasing carbon dioxide emissions by 30 percent.

Electric vehicles, say advocates, may go a long way toward changing that dynamic. Electrics don't produce emissions. That, says ARB, makes them 200 times cleaner than regular cars. They also are cheaper to maintain since there are fewer moving parts. Fuel costs, too, are cut in half. On the downside, electric vehicles are three times as

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expensive to buy as gas-burners, perform poorly at high speeds and require expensive batteries. Thus, electrics most likely will be used in commercial fleets for short, specific trips, rather than as primary passenger vehicles, as second cars or for commuting and neighborhood errands.

The effort to develop electric cars in California is spearheaded by CALSTART, according to Daniel Sperling, director of transportation studies at UC Davis. CALSTART is a non-profit public-private consortium of more than 60 organizations, including the state's major utilities, Lockheed, Intel, Kaiser Aluminum, Lawrence Livermore National Laboratory, Hughes and ITT. It was initially funded with $2 million from the state, $4 million from the federal government and $14 million from private industry. Earlier this year, CALSTART received a $4 million Advanced Research Projects Agency (ARPA) grant from the Department of Defense, and $6 million in matching funds from private industry. Formed a year ago, its mission seems to be three-fold: develop an electric-vehicle components industry; create jobs by retraining and hiring laid-off aerospace and defense workers; and help coordinate the efforts of big industry and smaller start-ups.

"CALSTART is providing the incentive and overall leadership to launch the industry," said Dan Fitzgerald, corporate representative in the clean-air transportation division at Pacific Gas and Electric.

The consortium already has produced a showcase electric vehicle for auto shows in Tokyo and Geneva. The car contains 22 component parts produced in California, including an audio navigation system that uses a compact-disc player to give enroute audio instructions to the driver. CALSTART also delivered two prototype electric buses as part of a project designed to develop and test America's first battery-powered school buses. And most significant, CALSTART and the state's major utilities are gearing up to install charging stations statewide to provide masses of cars safe and easy-to-use places to "refuel." Over 100 charging stations are already in place, and at least 40 more should be installed by 1994, said Michael Gage, CALSTART president. The majority of charging stations will initially be put in parking lots of shopping centers, workplaces and major transit stations.

CALSTART also plans to create the nation's largest electric station car fleet, operating out of BART stations in the San Francisco Bay area. These station cars are small electric vehicles used to move commuters between their homes and transit centers, and a pilot program will be launched next spring for use by BART and PG&E employees. The 45 station cars involved mark the largest buy of electric vehicles ever in California. If the program proves successful, it will be expanded by 1995. Overall, by the end of 1994, Gage expects to have 82 new electric vehicles on California roads.

The electric-vehicle industry could mean as many as 55,000 new jobs by the year 2000, if California captures one-third of the global electric vehicle components market, said Gage, although he admits that these jobs will never replace all of the 71,000 aerospace and defense jobs lost over the past three years. Some critics, however, think Gage's estimates are a bit optimistic, given the attitudes of car makers.

Major automakers say they probably won't build any assembly plants for electric cars — or any other cars — in California because they aleady have existing plant capacity elsewhere. In addition, there is no market for the finished product. "We couldn't justify building a plant anywhere, there simply isn't enough volume," said a spokesperson for Ford.

Gage remains upbeat, however. "CALSTART is a facilitator ... I'm convinced we can help the Big Three bring manufacturing costs down" and "show them examples of how it can be done so they can't back off," he said. "Otherwise, without a mechanism like CALSTART to create an industry in this arena and tap into the knowledge base of defense and aerospace, it would be entirely possible that the auto companies would never do it."

Some observers don't think major automakers will hack the market, ever. "I don't think the dinosaurs are going to be able to compete in a competitive market," said John Stevens, a consultant for the Assembly Transportation Committee, referring to established automakers. He is convinced that small businesses will provide the cutting edge of high-tech transportation. Much of the technology is already available, he insisted, so it's only a matter of bringing it to market in mass quantities.

The Big Three, who have dabbled with battery technology for years, have no incentive to push the idea, explained Paul Lambert, marketing director for Electric Vehicles Corporation in Van Nuys. "They have so much tied-up in the status-quo ... and the only reason they are interested now is because government is pushing them," said Lambert.

But state regulations and the efforts of CALSTART and other entrepreneurs may pressure major automakers to accelerate their activity. "The regulation is certainly propelling us faster than we would normally go," said Roberta Nichols, manager of Ford's electric vehicle external strategy and planning department in Detroit. "We don't like mandates. ...We would much rather bring in the technology voluntarily when it's ready," she said. "Otherwise, there is the potential to kill the technology." Furthermore, Nichols argued, "It's difficult for 'EV's' to compete with gas, and the cost makes it difficult for customers to pay more for something with less driving range." Nevertheless, the Big Three have all produced electric prototypes.

In addition, the Big Three have agreed to join forces under an umbrella organization called the United States Council for Automotive Research (USCAR), established to collaborate on standards and to share research and technology in order to meet mandates. Currently, there is no formal joint agreement on electric vehicles, but the Big Three are cooperating on battery development.

This activity is public, however. Privately, the automakers have lobbied against the ARB's rules, calling strict air regulations another punitive cost of doing business in California.

Some observers expect the Big Three to attempt to rollback the state's deadlines. "As the deadline nears," warned Hayden, "the Big Three will seek legislative support for an extension [of the mandates]. The Big Three's attitude will likely be, 'We've made our best effort. Research is necessary. We can't come up with a car consumers will like and is affordable. We can't meet the goals.'"

"It's certainly not a profit center," Nichols said, adding that the joke around Ford is, "If we sell enough, we could go bankrupt."

"Gas is cheap right now, and it's difficult to get anyone interested in something that's going to cost more," Nichols explained. Introductory electric vehicles are estimated to

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cost between $20,000 and $30,000, although some smaller companies indicate that they can beat that price.

The ARB remains confident there will be a thriving electrics market in California, even though the state can mandate that someone produce the car but can't mandate that anyone buy it. And, there is precious little market research to determine demand.

J.D. Power and Associates, a research firm, did conduct one such survey in 1993, and it wasn't very encouraging. It showed that 36 percent of respondents weren't interested in buying an electric vehicle, even if the cost of gasoline were to zoom to $2 per gallon.

State-based tax incentives for consumers of electrics may be the way to rev up the non-existent California market. Proponents like CALSTART and Project California — a consortium of business, government and academia under the auspices of the California Council on Science and Technology — don't want the state to lose more high-tech projects, especially one estimated to be worth $12 billion by 2000. As a result, more than a dozen pro-electrics bills are circulating through the Legislature. One, by Democratic Senator Gary Hart of Santa Barbara, exempts electric vehicles from state sales taxes and provides a tax credit to companies doing research and development. Another, by Democratic Senator Herschel Rosenthal of Los Angeles, allocates $100 million in bonds to encourage electric car research.

Improving air quality requires an entirely new transportation philosophy. It makes no sense to create a "green" car industry from scratch and dump more cars onto cluttered roadways, said EVC's Lambert. That's why EVC is converting regular vehicles to semiconductor technology to comply with zero emissions, with a price tag of about $10,000 per car. EVC, he said, is taking a dirty car off the road and replacing it with a clean one.

Will the major automakers meet the state's deadline?

"I couldn't bet my paycheck on it, but we're committed to meeting the mandates," said Ford's Nichols. In terms of having a battery ready that is both durable and cost effective, she said, "We're at a very high risk. We're working diligently. It's not clear at this time whether we'll get there or not."

If they don't, the penalties may be severe. For one, the state could impose a $5000 penalty on each new fleet car below quota, said ARB's Jerry Martin. The ARB's authority rests on the fact that they certify vehicles, and uncertified cars can't be offered for sale. In a worst case scenario, ARB could file a civil suit, but "We don't think companies will have any difficulty selling [electric] vehicles, so we don't expect to levy penalities," Martin said.

"I'm confident that we're going to get a 90 percent solution," said Van Loben Sels, who added that by 1998, the market may not have a full-fledged electric vehicle but will at least see a hybrid car that's part electric and part conventional.

Meanwhile, Caltrans hopes to build 2000-acre Western National Transportation Research and Development Center to test new technologies for highway, mass transit and air. The facility will house a transportation lab and equipment shop to help solve transportation problems related to air quality, energy and safety congestion. A site hasn't yet been determined, said John West, chief of Caltrans' division of new technology.

The first big application of high technology to be deployed in the next two to three years is automatic toll collection, said Van Loben Sels. Caltrans is in the midst of contracting for the first facility, where ATM-like cards will be placed on windshields, driver data will be read electronically and drivers will be able to pay tolls without stopping on Bay area bridges.

Intelligent Vehicle Highway Systems (IVHS), or smart cars and smart highways, are the core of the future surface transportation system. Rather than build more monstrous freeways to accommodate accelerating growth in travel, IVHS will allow traffic managers to operate existing highways more efficiently and safely by using integrated applications of electronic, computer and communications technology. Trouble spots will be identified, monitored and then relayed to a traffic-managment center. California has been at the forefront of IVHS technology since 1986, with the state's efforts boosted by $100 million worth of funds from public and private agencies, said Caltrans spokesperson Jim Drago. It is currently displayed in a 42-mile, $50-million loop known as the Santa Monica Smart Corridor Demonstration Project, which encompasses the Santa Monica, Harbor and San Diego Freeway Triangle — one of the busiest traffic corridors in the country.

California may be on the verge of having a new generation of cars and fuels — the world's cleanest mass-produced cars — but the traditional automobile has been around for nearly a century and it's not going to easily disappear. Virtually no one disagrees that conventional cars will remain a dominant mode of transportation, but they may have to share the road with a radically reinvented counterpart.

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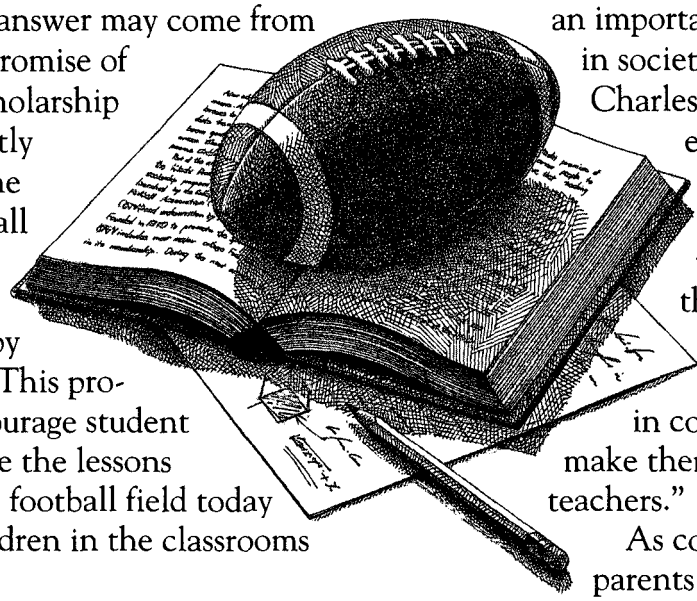
Turning Student Athletes Into Teachers

In the coming years, America's public school system must prepare to educate a new wave of students – the children of the baby boom generation. The U.S. Department of Education projects that from now until 2001, the demand for hiring public school teachers will increase by 18 percent. The question now arises: Who will teach the baby boomers' children?

Part of the answer may come from the "Hitachi Promise of Tomorrow" scholarship program recently launched by the College Football Association (CFA) and underwritten by Hitachi Ltd.. This program will encourage student athletes to take the lessons learned on the football field today and teach children in the classrooms tomorrow.



During the next academic year, the "Hitachi Promise of Tomorrow" program will award $335,000 in scholarships at the 67 CFA member universities. Eligible students include outstanding senior or graduate students who have participated in the college football program as a player, trainer, or manager. Each recipient will use his or her $5,000 grant to continue postgraduate studies in education or to meet certification requirements for pursuing a teaching career.

The CFA hopes that the "Hitachi Promise of Tomorrow" program will encourage more young people to enter the teaching profession. "Teaching plays an important but undervalued role in society today," explains Charles M. Neinas, the CFA's executive director. "We'd like to encourage students to pursue this field, and think that the leadership, discipline, hard work and team spirit that students gain in college football will help make them effective classroom teachers."

As college football fans and parents of school-age children, we at Hitachi are proud to be part of the scholarship program. We believe that it will go a long way toward instilling pride in education and the profession of teaching.

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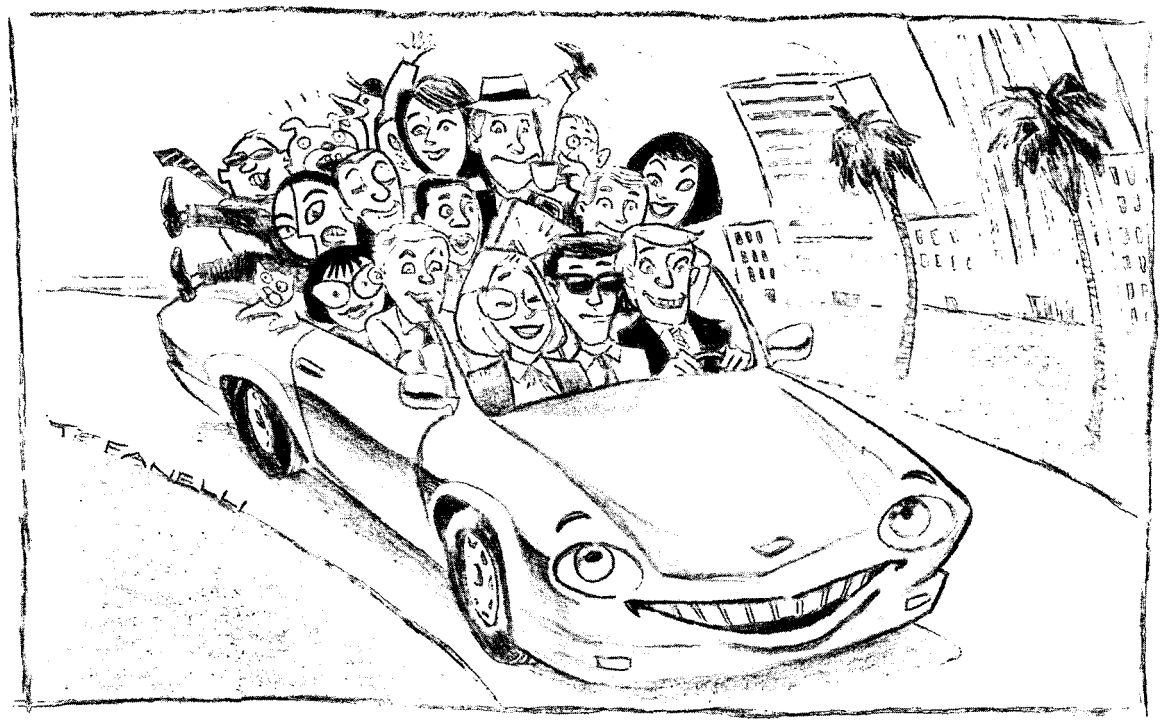

illustration by Mike Tofanelli

WE STOPPED WATERING OUR LAWNS DURING THE DROUGHT, BUT. . .

Will we give up our cars for clean air?

By Pat Paquette

I moved to California three years ago from Washington, D.C., where, to be allowed in a car-pool lane, you had to have four people in the car. Telling my friends back East that two people are considered a car-pool in California always gets a laugh. Little wonder that California has the worst air in the nation.

Cars are responsible for as much as half of the urban smog in most cities. The other half is caused mainly by other modes of transportation and by industrial emissions. The key component of smog is ground-level ozone, which is formed when nitrogen dioxide from vehicle exhaust reacts with other pollutants in the presence of sunlight. Vehicles also emit carbon monoxide and kick up dust. Health effects include everything from congestion and irritated eyes to asthma, reduced lung capacity, nervous disorders and, in extreme cases, death. Children are especially vulnerable.

Round trips to work without any stops in between account for 20 percent to 25 percent of all trips and about one-third of all the vehicle miles traveled in most cities. State studies show that people are more likely to drive alone to work than at any other time. Most people start and leave work during the same few hours a day, and the resulting congestion makes smog worse. A car traveling 10 miles at an average speed of 20 miles per hour puts out three-and-a-half times more pollution than the same trip at 55 miles per hour.

California has been a world leader in mandating cleaner cars. Cleaner-burning gasoline, alternative fuels such as methanol, electric cars and buses all are being used and tested in California, and vehicles powered by non-polluting hydrogen fuels are on the horizon (see story, page 33). But with projected increases in population and the number of miles people are driving, the state can't clean up its air without forcing more people into less cars.

In the state today, the average number of people in a car during the morning commute is 1.2 — slightly lower than the national average. The

Pat Paquette is a freelance writer from Santa Cruz.

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California Clean Air Act of 1988 requires areas with severe air pollution problems to increase the average number of riders in each vehicle to 1.5 by 1999, or, put another way, two people in every other car. (Amendments to the law last year allow all areas other than the South Coast Air Quality Management District to meet an average vehicle ridership of 1.4.) Based on state and national studies, the state Air Resources Board concluded that the best way to get cars off the road was to try to break Californians of the habit of driving alone to work.

Armed with all these facts and figures that point to an obvious conclusion, state and local agencies and elected officials nevertheless are afraid to take the plunge into what is certain to be a vat of boiling motor oil. Nowhere in the world are cars more worshipped than in California. Driving down Highway 1 in a convertible and Ray-Bans is a rite — the very image of freedom and limitless possibilities, a symbol of the California mystique. We eat, drink, smoke, listen to music, make love and ponder the vagaries of life in our cars. When a friend's toddler refused to take an afternoon nap, she'd strap him in the car seat and go for a 10-minute drive down I-880. It never failed. In California, your car is an expression of your identity. That freeways should be anything but "free," that you should actually have to pay for parking at work, or that the government would tell you not to drive to work by yourself in your own car is just unthinkable.

There is public education and mild coercion — such as fining people for watering their lawns at noon during a drought. And then there is political suicide. What self-preserving politician, what state agency struggling for survival in tough budgetary times, is willing to do something so overwhelmingly unpopular?

Although California law establishes the goal of 1.5 riders per vehicle, it fails to specify what each of the state's 34 air districts must do to achieve average ridership goals and instead allows them "flexibility" to tailor a local solution. That flexibility includes permission to delegate rule-making authority to individual cities or counties, and has been interpreted so broadly that in Monterey County, local transportation authorities voted to make their trip-reduction program voluntary. The Monterey Bay Unified Air Pollution Control District's failure to enforce a mandatory, district-wide program led the Santa Cruz bicycle-advocacy group, "People Power," to comment that the agency should change its name to the Air Quality Suggestion Board. The group and the City of Santa Cruz threatened to sue the district. The voluntary rule poses another problem for the air district: Because it can't enforce the rule, it can't bank on the anticipated emissions reductions, and will have to clamp down on business and industry to curtail emissions from other sources.

In Los Angeles and San Francisco, businesses with more than 100 employees must have trip-reduction programs. But neither air district is forcing businesses into a set plan of action. In the San Francisco Bay Area, employers must file plans with the Bay Area Air Quality Management District if they aren't meeting target goals, but there is no penalty for failing to achieve the target.

The Air Resources Board, which has the authority to regulate the types of vehicles sold in the state but not how they are used, has issued guidelines for air districts to follow in creating employer-based trip reduction programs. The guidelines include a "menu" of options available to employers to encourage workers to car-pool or take alternative transportation to work.

Incentives for employers to adopt alternatives include: car-pool matching services; preferential parking for car and van-pools and clean-fueled vehicle; free parking or reduced parking fees for car and van-pools; providing the vans, selling transit tickets at the workplace; paying for or subsidizing the tickets, providing bus and train schedules and route maps; providing shuttle buses to train stops; and subsidizing commuter buses. Employers can provide bike lockers and showers, furnish bicycles for commuting, and offer financial rewards for employers who ride bicycles or walk to work. Guaranteed-ride-home programs often are cited by employees as a deciding factor in switching to car-pooling or public transportation. Workers want the security of knowing they can get home in case of an emergency.

Measures such as these are fairly noncontroversial, and easy and inexpensive for employers to implement. They also are the easiest for employees to ignore. Employers are loathe to take more draconian measures, such as charging employees for parking and reducing the number of available parking spaces. Monterey County's switch to a voluntary program was largely due to the uproar by local businesses, which mistakenly believed a mandatory program would require them to start charging workers to park. Many employers also aren't jumping on options that would eliminate trips altogether, such as allowing employees to work at home or to work longer but fewer days. Their reluctance is due in part to the way the Clean Air Act is written. Eliminated trips don't count toward the 1.5 average ridership goal.

The Air Resources Board doesn't have readily accessible data on the anticipated emissions reductions from employer-based trip reductions. Since most air districts are still in the early stages of their programs, it isn't clear how many employers will be participating or how they will perform.

Still, there are indications of modest improvements to date. The South Coast Air Quality Management District, which includes greater Los Angeles, through its Regulation XV increased carpooling by 4.6 percent in 1991, the first year the program was in place and the most recent year for which data are available. Early indications are that second-year results will be better still. Overall average ridership in the South Coast region is slightly higher than 1.2.

The San Francisco Bay Area has about the same average, with higher ridership in the inner city and lower ridership in the suburbs. Unfortunately, companies outside the immediate city aren't hopeful they can do much more through current programs.

"You just can't tell people to rideshare and expect it's going to work. We've made it as easy as we can and people are still wedded to their cars," says Katherine Strehl, a manager at Lockheed Missiles and Space Company. The Sunnyvale company is among the largest employers in the Bay Area and has a comprehensive ride-share program, including a computer ride-matching service, shuttle bus to CalTrain and guaranteed rides home for car-poolers.

The Air Resources Board concedes it doesn't know whether the 1.5 average ridership goal is feasible. "Given our best estimates, it looks achievable," the agency said. Even if it is, the resulting emissions reduction is expected to barely make a dent in California's air pollution problem. Urban-growth experts believe that, ultimately, getting people out of their cars will require drastic changes in the way local land-use decisions are made. Urban planners will have to ensure that building is concentrated around public transportation, that residential developments include shopping and other necessary services, that pedestrian and bicycle facilities are incorporated into building plans.

And, changes of such epic proportions will require butchering a whole different herd of sacred cows.

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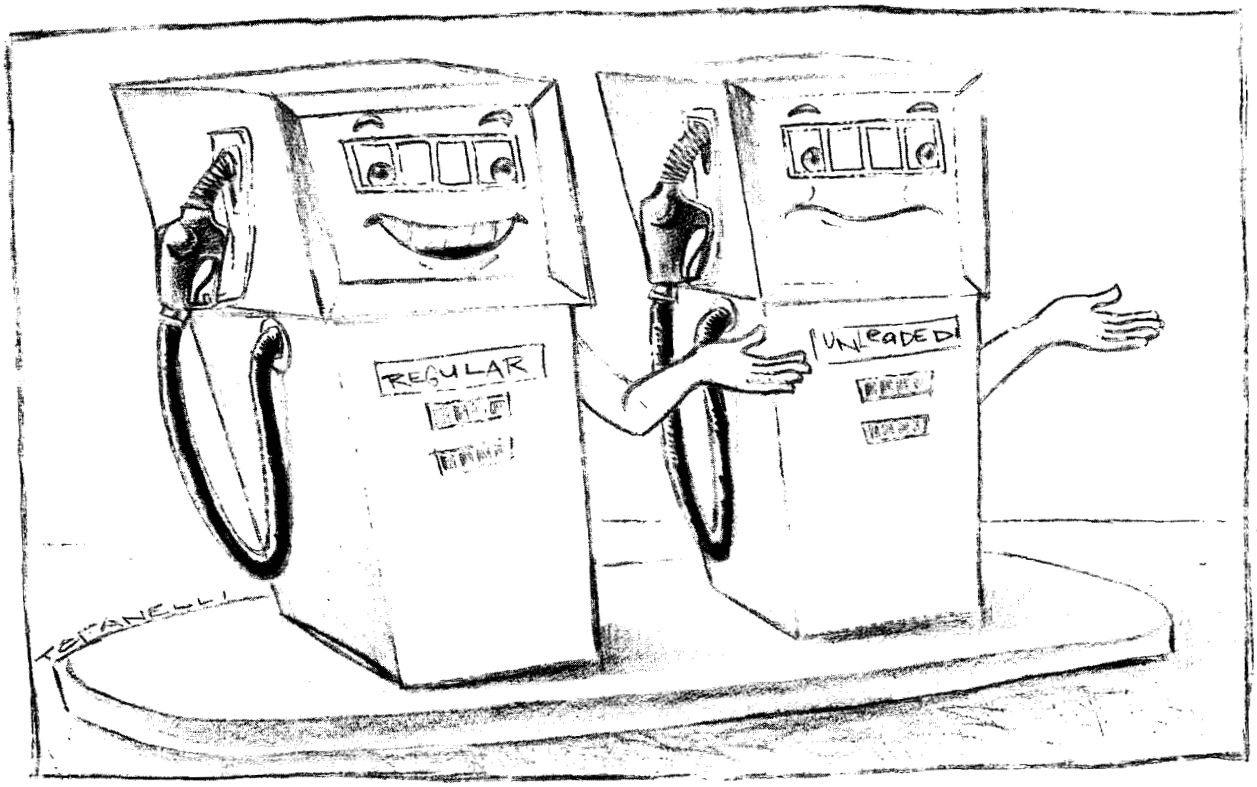

illustration by Mike Tofanelli

PAY-AT-THE-PUMP

Maverick proposal re-fuels debate over car insurance reform

By Steve Scott

A smiling state Senator Art Torres relished the moment earlier this year as he presided over an unprecedented event — the first interactive call-in legislative hearing. Sporting the casual intensity — and even the silver hair — of an ersatz Phil Donahue, the Los Angeles Democrat whisked through one caller after another. Each had some very definite views on the matter at hand.

"I just see the middle class carrying the burden for this," complained a caller from Sacramento.

"This is obviously going to have adverse effects on California's tourism industry," griped another from Vacaville.

"If the trial lawyers are in any way opposed to the idea, then it must be a good plan," quipped a third from Woodland.

"I'm just against any government intrusion into my life," added another from San Diego.

In all, it wasn't that different from the usual high-spirited venting that spills out of radios during mid-day talk shows. But here, at least, the extreme reactions were directed at an equally extreme concept: "Pay-at-the-Pump, Private, No-Fault" car insurance (PPN, for short).

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Conceptually, "pay-at-the-pump" is a breathtakingly simple idea. Instead of paying a $50 to $250 dollar bill each month for auto insurance, you make your payments in increments of 30- to 50-cents a gallon every time you fill your gas tank. The money goes into a huge insurance fund along with other charges assessed at registration and ... poof! Your car insurance bill is all paid.

What you get for your money is a no-fault policy that covers all health-care costs and most lost wages resulting from an accident, and provides for a small added payment for pain and suffering. No more lawyers, no more lawsuits, no more huge damage awards.

Who likes PPN? Consumer organizations, environmental groups, academics, business writers and some very ambitious politicians. Who doesn't like it? Insurance companies, insurance agents and brokers, trial lawyers, truckers, some large business organizations, and some other very ambitious politicians. Legislation creating a PPN system in California was wrapped up in a concrete dinner jacket by the Senate's Judiciary Committee and dumped over the side last May, but the battle is far from over. Barring any unexpected changes of heart, "Pay-at-the-Pump Private No-Fault" appears headed for the 1994 ballot as an initiative.

As near as anyone can determine, the idea of paying for insurance at the gas pump first surfaced in Maryland in the early 1970s. An abortive 1975 attempt to bring "pay as you drive" to California went nowhere, but *Time* magazine financial editor Andrew Tobias devoted two chapters to it in his book *The Invisible Bankers* about the insurance industry. Tobias expanded on the idea in a second book, *Auto Insurance Alert!*, which was released earlier this year.

"Americans spend $100 billion a year on auto insurance, and at least 30 to 40 billion of that is wasted," says Tobias. "A country that's nothing but insurance agents and lobbyists is not going to be successful."

Among the most avid readers of Tobias' entertaining little tome was Torres, chairman of the Senate's Insurance Committee. Torres, who's mulling a run for higher office, knows a good issue when he sees one, and it wasn't long before he was touting pay-at-the-pump on the pages of *Business Week*, the airwaves of "Good Morning, America," and the cable California Channel with the above-mentioned interactive hearing.

"We were on the road to getting our message across to people that this was not just an added tax but a different way of paying for auto insurance," says Torres.

Alas, while the public may have been intrigued, the Legislature clearly was not. Torres' PPN bill was double-referred by the Senate Rules Committee to the Insurance Committee (which Torres chairs) and the Judiciary Committee, where Democrat Bill Lockyer holds forth. Torres could only muster one vote in Judiciary — thanks, he says, to the combined lobbying clout of "the insurance industry and the trial lawyers."

Now, anyone who's followed California's insurance wars knows that the insurance industry and the trial bar haven't agreed on much since the Magna Carta. The two industries spent more than $100 million between them slugging it out in a bitter 1988 initiative war over car insurance (the only survivor left standing from that fight was the much-litigated — and still unresolved — Proposition 103, sponsored by neither side). To understand what could possibly bring these two enemies into the same camp, it's important to understand that PPN is actually two separate concepts grafted together: pay-at-the-pump to collect the premiums, and no-fault to pay out claims.

Insurance companies like no-fault, and Tobias' would be one of the nation's strictest. It would eliminate entirely liability coverage, paying only medical costs, most lost wages, and a maximum of only $100,000 in additional damages in the event of death or serious injury. Lawyers would come into the picture only if a customer held supplemental collision insurance or if they wanted to sue the auto manufacturer for faulty equipment.

What insurers don't like, however, is the collection scheme. PPN calls for all the various taxes and fees to be placed into a central fund. Motorists would then be divvied up into computer-generated risk pools, and insurers would then bid on each pool. Insurance companies say that essentially wipes out any consumer choice in the matter.

"It is simply another way of government getting into the private insurance sector," says Dave Fountain with the Personal Insurance Federation. "That is not a more efficient way of doing things; I don't care what Mr. Tobias says."

In fact, Torres amended his own bill to let consumers choose their agencies, and a new book on the subject, authored by U.C. Berkeley law professor Steve Sugarman, scraps Tobias' risk-pooling idea in favor of continued use of private insurers. But despite the changes, most insurance companies still turn thumbs down to the whole idea of getting their premiums from the government.

For their part, the trial lawyers are non-plussed about the

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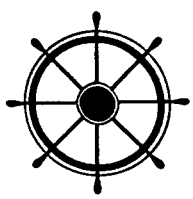

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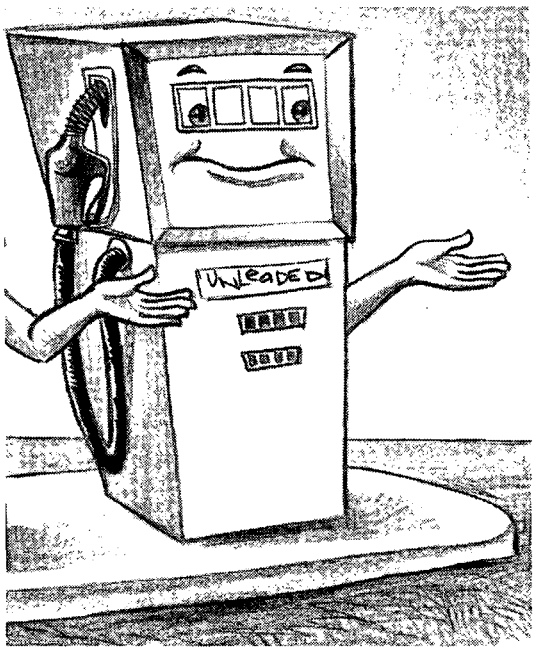
collection scheme. However, what they *really* don't like is no-fault — in any way, shape, or form.

"This proposal would essentially eliminate any responsibility on the part of drivers for the injuries they cause," says Will Glennon, legal analyst for the California Trial Lawyers Association. Tobias' plan, says Glennon, would wind up costing motorists more, especially those who buy collision and theft insurance, since they'll be subsidizing all the bad drivers who skate along at the no-fault minimum.

"Determining fault is the simplest part of the entire system," he insists. "Eliminating fault as an issue doesn't stop the arguing about money, it simply adds many more potential claimants to the pool."



Pay-at-the-pump backers maintain that bad drivers are already subsidized by good drivers in the dollars associated with that one line on their policy marked "uninsured motorist," which, according to the state Department of Insurance, accounts for 10 percent of all car insurance costs. But Proposition 103 author Harvey Rosenfield — an ardent foe of no-fault — insists the system is still "inherently more expensive" than traditional coverage and won't significantly reduce uninsured motorist costs.

Naturally, a more basic economic interest lays quietly behind all this noble, "good government" rhetoric of insurance companies and trial lawyers. The pay-at-the-pump provisions will take premium collection out of the hands of insurers, meaning a lot of insurance agents and brokers will have to get by selling other lines of coverage. The no-fault aspect takes lawyers almost entirely out of the auto-accident business, forcing them to make do by practicing in other areas. Both industries predict job losses if PPN is enacted, especially for insurance agents.

However, the two heavyweight interests are not the only voices in the chorus of boos. Much of the state's business community is opposed, fearing the impact the higher gasoline charge will have on transit-dependent industries like trucking and tourism. Agricultural interests and rural residents also are opposed, saying they'll wind up subsidizing urban drivers because rural residents drive more miles and use proportionately more gasoline. And just try to find one of those anti-tax types who likes pay-at-the-pump.

"Do we really want to impose more taxes on the drivers of California? I know that I do not," snipes state Senator Don Rogers, a conservative Republican from Bakersfield.

With so much political muscle lined up against it, you'd expect pay-at-the-pump to join health reform, welfare reform, gun control, and casino gambling in the overfilled wastebasket of interesting ideas that went nowhere in California.

Re-enter Andrew Tobias.

As the best-selling author of financial books and computer software, Tobias has "managed his money" quite well, thank you, and now proposes to sink some of that wealth into what he sees as an ideal test market for his brainchild. "California is ideally situated geographically ... because you'd have fewer cross-border problems," says Tobias. "Another thing is that this is a big topic. It's more on people's minds in California than it is in Nebraska."

Tobias hired Michael Johnson — an alumnus of Rosenfield's Voter Revolt — away from the state Department of Insurance to head up the Pay-at-the-Pump Project. "We're going about this in a very systematic way," says Johnson. "This is the kind of honest, common-sense problem-solving that the public has been clamoring for."

Both Johnson and Tobias insist they haven't made a final decision on whether or not to push for an initiative in 1994. Johnson says the decision hinges on the results of polling and focus groups that are only now getting under way. But the opponents are taking no chances. Lobbyists representing the major insurance and business interests have formed an informal working group to keep watch on PPN. A high-powered consultant group — Burlingame-based Woodward-McDowell — has been retained to run an opposition campaign, and no expense will be spared.

"You can't run an effective inexpensive initiative campaign in California," says consultant Jack McDowell.

Does a PPN initiative have a chance with the voters? The only statewide poll done so far — a March *Los Angeles Times* survey — showed 37 percent in favor of PPN, and 56 percent opposed. But, poll numbers aside, there are reasons for backers of pay-at-the-pump to be optimistic. Minority-rights and consumer advocates are almost all supportive, seeing PPN as a way to get insurance to hundreds of thousands of low-income, uninsured motorists.

"It solves the economic problems that the current system has," says Nettie Hoge of Consumers Union. "If you measure this against the current system, there's really no contest."

In addition to the good-government types, PPN also has some high-profile political support. Although they haven't formally signed on to an initiative, Insurance Commissioner John Garamendi and Torres could both make PPN key talking points in possible bids for higher office (Garamendi for governor, Torres for insurance commissioner). Tobias' own notoriety could also help. His name ID alone could help bring in the "computer wonk" vote.

Ironically, however, many PPN backers think they can win by making an issue of the unprecedented coalition of insurers and attorneys lining up against them. Along with deep pockets, these two monoliths also bring their own political baggage, for if there are two things that many people like less than gas taxes, they are insurance companies and lawyers. Remembering the bitter 1988 battle, Pay-at-the-Pump Project's Johnson provides the supporters' rallying cry.

"In terms of public trust," says Johnson, "you couldn't ask for better enemies."

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Insurance

Workers' compensation reform

After months of negotiation, the Legislature approved and Governor Pete Wilson signed a package of bills designed to reform the state's flawed workers' compensation system. The package passed both houses on Friday, July 16th — the last day before the Legislature left for vacation. Wilson signed most of it within hours. The reforms are thought to decrease insurance costs to employers and increase benefits to disabled employees by eliminating waste and fraud in the system. Not only that, all the various interest groups involved with workers' compensation — employers, insurance companies, doctors, applicant attorneys, labor, consumer groups, *et al* — agree in their opinion of the package.

They don't love it.

Employers don't think there are enough restrictions. Labor, on the other hand, doesn't like the benefit increases for injured workers, even though they are significant. Lawyers, insurance companies and medical professionals think they will make less money. Thus, said Democratic Senator Bill Lockyer of Hayward, lawmakers seem to have come up with a true compromise package. Lockyer, chairman of Senate Judiciary, sat on the two-house conference committee that hammered out the package.

Lockyer isn't alone in his view. "I think we all gained, and we all lost," said GOP Senator Bill Leonard of Redlands, who many thought carried Wilson's water during negotiations.

Basically, the package increases benefits for injured workers, makes it harder to file stress and post-termination claims, caps the amount that may be spent for vocational rehabilition, limits doctor-shopping when determining injuries, expands definitions of fraud and does away with the minimum-rate law.

Lawmakers seemed to agree in principle to all of the above provisions but one — elimination of minimum rate, the law that establishes the lowest rate an insurance company may charge a business for providing workers' compensation coverage. In fact, there was so much disagreement over minimum rate that the bill addressing it was removed from the overall package and dealt with as a separate issue. Basically, most Republicans wanted to maintain minimum rate, while many Democrats favored doing away with what they considered a guaranteed profit for insurance companies.

The proposal to eliminate minimum rate produced an unusual political coalition: Assembly Minority Leader Jim Brulte of Ontario and Democratic Insurance Commissioner John Garamendi both opposed its elimination.

Garamendi claimed small business would see a dramatic rise in rates if insurance companies were allowed to charge what they want. Assembly Republicans, on the other hand, had been treated generously by insurance companies during the 1992 elections. Unfortunately for Garamendi and the Republicans, the minimum-rate bill, unlike other parts of the package, did not contain an urgency clause and therefore did not need a two-thirds majority to pass. The Assembly approved it on a straight party vote, and Wilson eventually signed it as well.

Senate Republicans, who did not receive much from insurance interests in 1992, broke with their Assembly colleagues over minimum rate, with Minority Leader Ken Maddy of Fresno pushing to abolish it. Some observers mused that the Senate GOP gave the governor cover when he signed it into law, although Wilson waited nearly two weeks before approving the minimum-rate bill. By then, pressure to sign had built up from a number of quarters, including the Association of California Insurance Companies, which suddenly took a neutral position. "Our members couldn't agree" whether the proposal was good or bad, said Barry Carmody, senior vice-president of ACIC. "The problem is that there are no rate-law experts," because the current system has been around for more than 75 years. No one knows how an open market will affect the system. Small business — the folks Garamendi claimed would be hurt the most — also jumped on the bandwagon.

Fine tuning the reform package is still needed, Wilson said during his signing ceremony. Insurance companies should be required to adhere to a uniform risk classification plan so the state can easily monitor the system, and language to protect businesses from being unfairly discriminated against should be put into the law.

— Mary Beth Barber

Elections

Alby wins Assembly election

The deed itself mattered little in the final outcome of a special election in the 5th Assembly District of suburban Sacramento. But an act of vandalism against the headquarters of Democrat Joan Barry just before Election Day added a little extra spice and controversy to an already antagonistic campaign. Four days before the July 27th election, vandals broke into Barry headquarters and poured chemicals on desks, through the mail slot and into the door lock. The vandalism shut down her headquarters for part of the last week end and sent one volunteer to the hospital for evaluation. But whether it was a foul deed perpetrated by an overzealous supporter of Republican Barbara Alby (as Barry supporters charged), or a last-ditch ploy for media attention and sympathy by a Barry supporter (as Alby supporters suspected), Alby won by a 48 percent to 39 percent margin. Observers say that the vandalism and its finger-pointing repercussions did little if anything to change the outcome of the race held to replace the late B.T. Collins, a Republican icon who at one time or another had defeated both Alby and Barry and who died of a heart attack last March.

The Democratic campaign proved erratic, and the first problem may have been Barry herself, said Democratic observers. The executive director of a non-profit group that serves meals to seniors, Barry's community activisim gave her a strong volunteer base. But observers noted that she was far from the firebrand she needed to be to combat the politically experienced Alby in a conservative, Republican-leaning district. Sources also said Barry had trouble articulating either what she hoped to achieve or what she feared the very conservative Alby might achieve.

The second problem for Democrats was the GOP's aggressive — and

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successful — absentee-voter drive that began immediately after the May primary and saturated the district with three waves of mail. Nearly 17,000 Republican voters requested absentee ballots — about three times the number of Democratic requests. Alby won the absentee-ballot vote 64 percent to 27 percent.

For Capitol Democrats, the group best situated to help Barry, the GOP absentee effort meant that Barry would trail Alby by 5000 to 7000 votes before polls opened on Election Day, and they concluded that even a huge investment couldn't guarantee to bridge such a wide gap. So, they gave up early. Without their help, Barry raised only $42,403, compared to Alby's $256,547 — which included a $103,199 in-kind contribution from the California Republican Party for printing and mailing.

Meanwhile, the vandalism left a bad taste all around. Alby supporters resented that they immediately were accused and insisted they would have had nothing to gain by pulling such a "prank." Barry supporters retort that even if the Alby campaign knew nothing about the attacks, which were strongly reminiscent of methods used by Operation Rescue (whose members, like Alby, are anti-abortion rights), the Alby campaign's response to them was "extremely callous."

Alby, founder of the conservative Women's Lobby, also denied having any knowledge of who vandalized the office, adding that her supporters, too, suffered harrassment during the campaign — telephone threats and threats to a restaurant during a reception to honor volunteers. Alby was sworn in July 30.

— Danielle Starkey

Matt Fong runs for treasurer

The first prominent, official hat flew into the statewide ring marked "1994" last month when Board of Equalization member Matt Fong declared his intention to run for state treasurer. The incumbent treasurer, Democrat Kathleen Brown, is expected to run for governor next year. Fong, a Republican, was appointed to the board's 4th District by Governor Pete Wilson in January 1991 to fill out the term of Democrat Paul Carpenter, who had been convicted on federal corruption charges. Fong was due to seek election on his own to the board in 1994, but district registration favors Democrats 57 percent to 30 percent.

In launching his campaign, Fong joined the growing bi-partisan list of '94 wanna-bes who have targeted illegal immigrants. The 39-year-old Chinese-American agreed with Wilson's position to do away with health, welfare and education benefits for illegals.

This marks the second time Fong has sought statewide office. In 1990 he lost a race for state controller to incumbent Democrat Gray Davis. In that contest, Fong — son of Secretary of State March Fong Eu — polled but 37 percent while losing to Davis by 1.5 million votes and carrying only Orange County. His previous statewide experience came as manager for his mother's successful 1986 re-election campaign. At the time, he was a registered Democrat. He switched parties in 1988 and now considers himself a fiscal conservative. Fong's announcement ends a whiff of speculation that he might run for his mother's job in 1994 should Fong Eu either retire or be appointed to an ambassadorship by President Bill Clinton. A spokeswoman for Fong Eu said the secretary, who is 71, plans to seek her sixth term in 1994, unless an appointment comes through. Prior to his appointment, Fong was an attorney in Los Angeles, specializing in Pacific Rim trade. He is a 1975 graduate of the Air Force Academy. Married and the father of two, Fong is a resident of Hacienda Heights.

— A.G. Block

Hansen-Johannssen dust-up in SD 4

With the special election just weeks away, the race for the the 4th Senate District in northeastern California is rounding into a nasty little dust up between two Republicans: conservative Maurice Johannessen, a member of the Shasta County Board of Supervisors; and former Assemblywoman Bev Hansen, a moderate who decided not to seek re-election last year after reapportionment turned her old district Democratic. The election was made necessary when incumbent Democrat Mike Thompson won a special election in the neighboring 2nd District earlier this year.

Johannessen, a wealthy realtor who to date has loaned his campaign more than $200,000, was a virtual unknown outside Shasta until he decided to make the race. Hansen, meanwhile, is more widely known but has lagged badly in fund raising. July campaign disclosure reports show her with less than $100,000, compared with Johannessen's $235,000 — although Hansen recently said she has doubled her treasury.

Money aside, some observers think Hansen is in trouble. "Hansen's campaign is a disaster," said a veteran campaign consultant who asked not to be identified. "He has a big, big jump in absentee ballots, and those are votes in the bank."

Hansen acknowledged that her opponent's deep pockets pose a problem, especially since she's hamstrung by Proposition 73 caps on campaign contributions — in special elections, $5000 from PACs and $1000 from individuals and businesses. But Hansen seems undaunted, claiming that Johannessen's campaign has squandered its resources. And those absentees, she said, are anything but in the bank. While an aggressive absentee program cost Johannessen nearly $90,000, Hansen claimed it was badly timed, adding that her campaign was able secure from county clerks the names of those who had turned in absentee-ballot requests. Thus, Johannessen did his own — and Hansen's — grass-roots groundwork.

That result apparently didn't sit well with the Johannessen folks, who Hansen charged tried to pressure counties *not* to release the names, even though the information is public record — a charge her opponent's people deny. Johannessen campaign consultant Wayne Johnson claimed that letters written to the secretary of state and to the counties were meant to *delay* the release of names until 29 days before the election.

"The law is very explicit: Any application [for an absentee ballot] is to be kept until the process period," which spans from 29 days to eight days before an election, Johnson said. "[The campaign] was not pressuring or threatening them," but requesting that they wait for another opinion on the matter from the

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legislative counsel, rather than just "one attorney in the catacombs of the secretary of state's office."

Melissa Warren, spokeswoman for Secretary of State March Fong Eu, said "the law is silent" about when the names become public record. "The counties came in and said, 'Is this against the law?' and we said we don't think so," said Warren.

Targeted mailings to absentee voters are becoming increasingly important campaign tools. In the most recent special election in the 5th Assembly District, for example, absentee ballots comprised 43 percent of turn-out.

Meanwhile, the 4th District campaign has devolved into grenade throwing by both camps. Hansen grumped that Johannessen is "not raising money, he's writing his own checks. ...My opponent has defined himself by the only support he's getting as a right-wing Christian candidate." She claimed not to be worried about the fund-raising disparity, saying she's been outspent before and still won.

Johnson retorted that the Hansen campaign is so out-of-gas it resorts to name calling and "viscious attacks." "Maurice Johannessen has never said, 'I'm the candidate of the Republican right.' This is strictly a concoction of Bev Hansen, who has the support of [Senator] John Lewis, [Assm.] Richard Mountjoy and [Senator] Frank Hill" — conservative GOP legislators from Southern California.

There are other candidates in the race, by the way: Democrats Dennis Chuning of Napa and Montana Podva of Arbuckle, and Peace and Freedomite Irv Sutley of Glen Ellen.

But the focus is on Hansen and Johannessen. A win by the Shasta supervisor may have an impact on moderate Fresno Senator Ken Maddy's ability to remain minority leader, for it would give conservatives another voice in an upper house GOP caucus that already tilts strongly to the right.

— Danielle Starkey

Immigration

Wilson dives into immigration issue

Governor Pete Wilson has turned his sights on illegal immigrants, signalling his renewed interest in one of the state's hottest topics with press conferences and several full-page newspaper ads taken out in national newspapers. The ads reproduced a letter Wilson sent to President Bill Clinton and appeared to be an effort by the governor to steal or at least share the immigration spotlight with others — including state Treasurer Kathleen Brown, a potential opponent as Wilson seeks re-election next year.

State Democrats immediately charged that Wilson was pandering to the GOP right-wing at a time when his approval rating is low. They also charged that his attempts to be a leader on the illegal-immigration issue will backfire because of his own history in "helping to create the problem." To that end, they produced a television ad that angered Wilson enough to challenge them to "kiss my rear" during a national television interview (see "Two Cents," page 6).

Wilson called for denying citizenship to U.S.-born children of illegal immigrant parents; doing away with federal mandates that provide health and education benefits to illegals; and requiring Congress to create a legal resident eligibility card for all legal residents who seek those benefits. He said that supplying benefits to California's estimated two million illegal immigrants costs taxpayers about $2.3 billion per year, and that such a burden erodes the quality of life for those here legally.

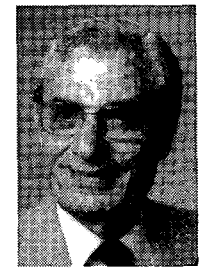
Democrats in response pointed out that then-U.S. Senator Pete Wilson authored an amendment to the 1986 Immigration Reform and Control Act "at the request of his agri-business contributors" that was intended to continue the cheap supply of farm labor to growers and has resulted in the legalization of more than one million illegal immigrants.

Wilson spokesperson Dan Schnur said that Democratic charges that the governor is grandstanding for political purposes are ludicrous. He argued that Wilson's 1986 amendment was "hijacked" by the Democratic-controlled House of Representatives. "The original program allowed for residents of other countries to legally migrate to California to work under a set of requirements that provided that they return [to their native country] on completion of that job. [The amendment] was hijacked to eliminate the requirement for their return," Schnur said.

— Danielle Starkey

Legislature

Deddeh quits Senate



Democratic Senator Wadie Deddeh of Chula Vista resigned from the Senate, effective August 17th. The four-term lawmaker returned to his pre-legislative position as an instructor at Southwestern College in Chula Vista. But Deddeh's resignation was not without controversy, thanks a dispute over tenure and charges that the school was being used as a pawn to further the political career of another San Diego Democrat — Assemblyman Steve Peace.

The tenure dispute arose because Jerry Griffith, a member of the Southwestern board of trustees, questioned the requirement that legislators who return to teaching facilities should receive tenure for years spent in the Legislature. According to G. Gordon Browning, president of the Southwestern College board, current law states that teachers who serve in the Legislature receive tenure during that time. Deddeh taught for less than 10 years at Southwestern but will receive more than 30 years' worth of tenure because of his years in Sacramento. Griffith was upset over more than Deddeh's tenure, however. Browning is Peace's stepfather, and Griffith grumped that the entire resignation was engineered to give Peace a Senate seat.

Peace probably will run to replace Deddeh. Last year, he sent out fliers stating that he would run for the seat so he could continue to represent the San Diego area after term limits end his Assembly career in 1996. Democratic Assemblyman Tom Connolly of Lemon Grove, who is nested with Peace in Deddeh's Senate district, has removed himself from consideration. Another possible Democratic challenger to Peace is John Warren, publisher of *Voice and Viewpoint*, said a source in the district. Republicans seem to be backing off because they would rather spend money and resources on other races rather than compete against veteran legislator Peace.

— Mary Beth Barber

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Washington PERSPECTIVE

By Larry Liebert

Democrats and immigration

"We must not and will not surrender our borders to those who wish to exploit our history of compassion and justice," the politician declared.

THAT'S THE SORT OF THING THAT CALIFORNIA'S Governor Pete Wilson might have said when he recently introduced his get-tough proposals to deny citizenship, welfare and education to the children of illegal immigrants. It's also the sort of thing that hyper-conservative Pat Buchanan might have said during last year's GOP presidential primaries, when he was warming up one of his stem-winding calls for an electric fence at the Mexican border.

In this case, however, the call for tougher action against illegals came from President Bill Clinton, a Democrat. As Buchanan noted with chagrin in a recent column, the Democrats took the lead this year on the immigration crackdown theme that used to be almost exclusively a GOP franchise.

The Democrat who jumped on the issue first was California Senator Dianne Feinstein. She has attracted TV time and headlines for proposals highlighted by her call for a toll of at least $1 on those entering at U.S. border stations, money that would be used to hire new platoons of border guards to keep out illegal entrants.

There's no question that millions of Feinstein's California constituents feel deep anxiety about the economic impact of the massive immigration — legal and illegal — that continues to pour into the largest state in a time of deep recession. But it's also an explosive issue tinged at times by racism and blind resentment of the new waves of Latino, Asian, Haitian and other immigrants who have supplanted the English-speaking Western Europeans of past generations.

It seems Feinstein, always on the moderate side of her party, has staked out an essentially conservative stance on immigration as a major theme for her re-election effort next year. But Kam Kuwata, Feinstein's California field director and top political adviser, insists the calculus was more substantive than political.

"There are a lot of people that think this was somehow cooked up by her political people in California for her to do," Kuwata said. "It was not. She never talked to us about it."

Kuwata argues that Feinstein has taken a "moderate" approach to an issue that "has to be addressed. Until and unless some more rational, calmer voices get into looking at this, we cede the argument totally to the more reactionary people."

Advocates for immigrant rights seem ambivalent about the new wave of attention. Warren Leiden, executive director of the American Immigration Lawyers Association, agreed with Kuwata's assessment that it's helpful for moderates like Clinton and Feinstein to weigh in so that the only voices heard on the issue aren't "anti-immigrant types and worse." But Leiden also expressed chagrin that "some people aren't able to resist the tempting drug of scapegoating and the blame game: 'If only we didn't have illegal immigrants, we'd have no problems.'"

Advocates of tighter restrictions on immigration are similarly torn. Dan Stein, executive director of the Federation for American Immigration Reform, calls Feinstein "a fresh breeze off the Pacific. It's hard to overstate how deafening the silence was for years from the Democratic leadership on any of the basics of immigration policy." But Stein also protested that the Democratic proposals so far are too timid and that "all of the proposals at this point deal only with how to control illegal immigration. None of them deal with legal immigration."

Feinstein and other Democrats leaven their get-tough talk with ringing statements of respect for minorities as part of the nation's rich diversity and of allegiance to the welcoming tradition symbolized by the Statue of Liberty. "We must say 'no' to illegal immigration so we can continue to say 'yes' to legal immigration," Clinton said. "... To treat terrorists and smugglers as immigrants dishonors the tradition of the immigrants who have made our nation great, and it unfairly taints the millions of immigrants who live here honorably and are a vital part of every segment of our society."

Clinton has announced a series of steps, including spending $45 million to add 600 more border guards, increasing penalties for the smuggling of illegal immigrants and holding instant hearings at ports of entry on immigrant requests for political asylum. Other Democrats have chimed in with other proposals, such as California Senator Barbara Boxer's call to use the National Guard to back up the border patrol.

SOME REPUBLICANS HAVE RIDICULED THE DEMOCRATS for offering tough talk but only weak proposals for action. As Congress returns from its summer break, Senator Al Simpson of Wyoming, his party's longtime spokesman on the issue, has said he will introduce a bill that would go after legal immigrants as well as illegals by imposing an overall cap on all new entrants, except for immediate relatives of U.S. citizens. Like Wilson, Simpson wants to eliminate automatic citizenship for children born in this country to illegals and — sweeping aside past objections on civil-liberties grounds — wants to institute a single national identity card that would have to be shown by anyone applying for a job or for welfare.

That may force Feinstein, Clinton and the other Democrats who have been out front on this issue to make clearer where they would draw the line between defending the borders and welcoming "the huddled masses yearning to be free."

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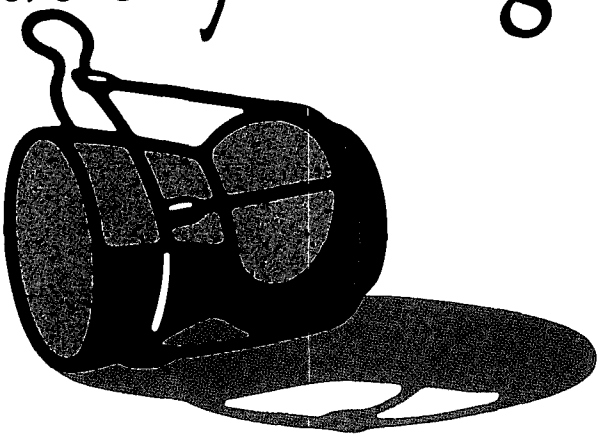

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